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An [REDACTED] in the [REDACTED] involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to [REDACTED] in the [REDACTED]. 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, results of operations and growth prospects. In any such event, the market price of the [REDACTED] 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 headed “Forward-Looking Statements”. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in China and are governed by a legal and regulatory environment that may differ significantly from that of other countries.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We may not be able to successfully maintain and increase our user base and user engagement. If we fail to retain our existing users and further grow our user base, or if user engagement on our platform declines, our business and operating results may be materially and adversely affected.

The size of our user base and the levels of our user engagement are critical to our success. Our average MAUs increased by 37.5% from 12.3 million in 2020 to 16.8 million in 2021, and decreased by 17.9% to 13.8 million in 2022. An important component of our business model is matching our users with game buddies accurately and timely by our algorithm. The more users we have and the higher their levels of engagement are, the more data our algorithm can leverage and the smarter it will be. Therefore, if we fail to retain our existing users, to attract new users or to keep our users engaged, we may not be able to provide our users with satisfactory matching experience, and our business and operating results will be materially and adversely affected.

In addition, we generate our revenues from consumption of virtual items given between our users. The number of our average MPUs increased by 50.0% from 643.9 thousand in 2020 to 965.6 thousand in 2021, and further by 3.6% to 1,000.3 thousand in 2022. Therefore, if our user base decreases or stops growing, our users become less active or interested, or the quality and quantity of our user base deteriorate, it is probable that they would spend less on our platform or access our platform less often in general. As a result, our business, financial condition and results of operations will be materially and adversely impacted.

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We experienced fluctuations in the number of our users and in the user engagement levels due to seasonality, market trend, regulatory environment, unexpected events, and other factors. We may continue to experience fluctuations in our user base or user engagement levels in the future. A number of factors could negatively affect user retention, growth and engagement, including if:

- we fail to make or keep our users interested in the diverse entertainment scenarios we offer;
- we fail to identify key changes in user preferences in a timely manner or effectively respond to changing user preferences;
- we fail to provide a satisfactory game buddy matching experience for gamers on our platform;
- our promotional expenses increase as a result of the increased traffic acquisition costs;
- we fail to introduce new and improved services, or if we introduce services that are not favorably received by users, especially the gamers;
- we fail to keep pace with changes in technologies;
- technical or other problems prevent us from delivering our services in a rapid and reliable manner or otherwise adversely affect the user experience;
- we suffer from negative publicity, fail to maintain our brand or if our reputation is damaged;
- we fail to address user concerns related to privacy and communication, safety, security or other factors; and
- there are adverse changes in our services that are mandated by, or that we elect to make to address, legislation, regulations or government policies.

Our monetization may not remain effective, and we cannot guarantee that our monetization strategies will be successfully implemented or generate sustainable revenues and profit.

We operate our social network platform using a revenue model whereby users can get free access to most functions on our platform and have the options to purchase virtual items to gift to other users on our platform. We have generated, and expect to continue to generate, our revenues primarily from users’ consumptions of virtual items on our platform. Our revenues are predominantly generated by users’ consumption of virtual items in relation to our value-added services and audio entertainment services. In 2020, 2021 and 2022, our value-added services

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and audio entertainment services collectively accounted for 95.1%, 97.2% and 98.4% of our total revenues, respectively. Our revenues and results of operation depend on our ability to convert more users to paying users and to increase their spending. Whether we can increase the number of paying users and average spending 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 platform. 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 spending generated per paying user may materially and adversely affect our results of operations. Although our business has experienced significant growth in recent years, we may not achieve a similar growth rate in the future, as the user demand for this service may change, decrease substantially or dissipate, or we may fail to anticipate and serve user demands effectively.

Although we design the virtual item systems on our platform based on our knowledge about users’ preferences and behavior, there can be no assurance that users will continue to purchase and use our virtual items. If users’ spending habits change and they choose to only access our platform for free without additional purchases, we may not be able to continue to successfully implement the virtual item-based revenue model for our platform, in which case we may have to develop other value-added services or products to monetize our user base. We cannot guarantee that our attempts to monetize our user base will continue to be successful, profitable or widely accepted, and therefore the future revenue and income potential of our business are difficult to evaluate.

In addition, some of our current monetization methods such as host-driven audio entertainment are relatively recent innovations and their long-term sustainability has not been tested. Meanwhile, we will continuously explore new monetization methods and user retention strategies, which may or may not be a success. We cannot assure you that our efforts will continue to achieve satisfactory results. Neither could we assure you that our ongoing and future attempts to innovate our communities and monetize our users will always be successful, profitable or accepted, and therefore the income potential of our business is difficult to gauge.

Our efforts to develop and provide our users with new features and services may not be successful.

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. However, developing and integrating new services and features could be expensive and time-consuming, and these efforts may not yield the benefits we expect to achieve at all. Over the years, we have been continually upgrading our *TT Chat* platform. We have made *TT Chat* platform a decentralized social entertainment platform that offers various user diversified social

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entertainment scenarios such as online dating, karaoke and role play dubbing, as well as various in-app mini casual social games. We may continue to introduce significant changes to our existing services or develop and introduce new and unproven services and features. If new or enhanced services fail to attract or retain users, our operating results and financial performance may be materially and adversely affected.

We face risks and uncertainties regarding the growth of the industry we are in and market acceptance of our platform and services, and our limited operating history with a relatively new business model in a rapidly evolving market could make it difficult to evaluate our business and growth prospects.

The growth of our industry and the level of demand and market acceptance of our platform and services are subject to a high degree of uncertainty. Our future operating results will depend on a number of factors, some of which are beyond our control. These factors include:

- the growth of mobile internet user base in our target markets;
- the demand for mobile social networking and entertainment in our target markets;
- user consumption behaviors;
- the popularity of Esports among our target users;
- user acceptance of the “many-to-many” mobile voice-based interaction model or other interaction models that we offer, as compared to other forms of online interaction;
- general economic conditions, which would affect discretionary spending on social networking and entertainment; and
- the availability and popularity of other forms of online and mobile entertainment which may compete with us.

Our *TT Chat* app commenced operations in 2014 and we have since experienced a rapid growth in our user base and user spending. However, our growth in recent years may not be indicative of our future performance, as our operating results represent a limited size of samples of operating results and may be hard to repeat in the future.

Many of the elements of our business are unique and evolving. The markets for interest-driven mobile social platforms are rapidly developing and are subject to significant challenges, especially in terms of maintaining a stable paying user base and attracting new paying users, complying with changes in regulatory requirements on minor protection, online audio content and social interactions, as well as adapting to the regulatory developments affecting the mobile game industry. There is no guarantee that we may succeed in adapting to

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such changes in the markets. In addition, any new and experimental functions or services that we may develop and launch in the future may not be well received by our targeted users and may be affected by adverse industry trends such as evolving development, interpretation and implementation of applicable laws and regulations. See “– We are subject to regulations on online social networking and entertainment platforms, and failure to comply with the regulations may materially and negatively affect our reputation, business, financial condition and results of operations.”

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

We operate in a market characterized by rapidly changing technologies, evolving industry standards, new product and service announcements, new generations of product enhancements and changing user expectations. Accordingly, our performance and the ability to further monetize the services on our platform 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 competitive 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. For example, the market for mobile devices in China is highly fragmented, and the lower resolution, functionality, operating system compatibility and memory currently associated with the kaleidoscopic models of mobile devices in the Chinese marketplace may make the use of our services through these devices more difficult and impair the user experience. 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 mobile device users to use our *TT Chat* platform. 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 generate revenues, and could have a material and adverse effect on our business and operating results.

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If we are unable to compete effectively for users or user engagement against our current or potential competitors, our business and operating results may be materially and adversely affected.

Our major competitors primarily include other mobile social networking and entertainment platforms with an established presence in the industry, as well as potential new market entrants. Our competitors may have substantially more financial, user base, technological and other resources, as well as broader service or products offerings and can leverage their relationships to other service or products to gain a larger share of marketing budgets. We may be unable to compete successfully against these competitors or new market entrants, which may adversely affect our business and financial performance.

To better compete with competitors that may have more financial, user base, technological or other competitive advantages than us, we may be required to spend additional resources, which may adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users. Any legal proceedings or measures we take in response to competition and disputes with our competitors may be expensive, time-consuming and disruptive to our operations and divert our management’s attention.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our services compared to those of our competitors, and the research and development abilities of us compared to our competitors;
- changes mandated by, or that we elect to make to address, legislation, regulations or government policies, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors;
- our ability to monetize our services;
- our ability to attract, retain and motivate talented employees;
- our ability to manage our operations cost-effectively; and
- our reputation and brand strength compared to our competitors.

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Our platform competes against other forms of social networking as well as other forms of entertainment for the discretionary time and spending of our users. Other forms of social networking, including traditional face-to-face socialization, text-based social networking tools or other interest-driven social networking platforms, may be perceived by our users to offer more familiar or more enjoyable companionship. Other forms of entertainment, such as online video streaming, traditional PC and console games, as well as more traditional mediums such as television, movies and sports, are much more well-established in mature markets and may be perceived by our users to offer greater variety, affordability, interactivity and enjoyment. If we are unable to sustain sufficient interest in our platform in comparison to other forms of social networking or other forms of entertainment, including new forms of social networking and entertainment that may emerge in the future, our business model may no longer be viable.

If we fail to cope with changes in popularities of games, and if availability of popular games is limited for any reason, our financial condition and results of operations may be materially and adversely affected.

Gamers of a limited number of popular games contribute significantly to the user traffic on our platform. For example, the number of our average daily active voice chatrooms where users played *Honor of Kings* and other games reached approximately 351,000 in 2022. Although we do not rely upon any licenses granted by game publishers and developers to operate our platform and provide our social entertainment services to our users, if availability of these popular games is limited for any reason, and if the game publishers and developers fail to obtain new licenses (if any) or such games are suspended from operation, the user engagement on our platform will be materially affected, and our operating results will be materially and adversely affected. For example, pursuant to the Notice of on Further Strengthening Regulation to Effectively Prevent Online Gaming Addictions among Minors (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), the PRC government limits online gaming time for minors to an hour per day from 8 p.m. to 9 p.m. on Friday, Saturday, Sunday and legal holidays in the PRC starting from September 1, 2021 and all online games are required to be connected to the online game anti-fatigue compliance system and a real-name registration system of the PRC government. In December 2022, active users who were identified as under the age of 18 based on their real-name authentication accounted for less than 1% of our MAUs in the same month. In the future, the PRC government may continue to introduce additional restrictions on the online gaming industry in ways that adversely affect our users’ engagement with our platform.

We provide customized matching mechanisms, chat room features, and promotion events tailored for some popular online games to enhance our users’ gameplay experience. If we fail to upgrade these mechanisms, features and functions to adapt to the development of popular games and predict and address the preference of their players, or if we fail to roll out new mechanisms, features and functions that fit new popular games, we may not be able to successfully maintain and increase the number of our users and deepen their engagement.

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Our business depends on our ability to attract and foster a vibrant community of hosts.

Hosts play an important role in enhancing user experiences by encouraging social interactions among users in social entertainment scenarios, which effectively improves our monetization efficiency. Although there are no concentration and reliance on top hosts on *TT Chat*, the number of hosts on *TT Chat* as of December 31, 2022 reached over 357,000, and the number of guilds reached over 230 as of the same date. We face significant competition for hosts. Our agreements with guilds usually include non-compete terms to prevent the guilds from inducing our hosts to join competing platforms. See “Business – Our Platforms – the *TT Chat* Social Experiences – Host and guilds on our platform” for details about our arrangements with hosts and guilds. If we are unable to attract and maintain our relationship with the hosts and guilds, our operating results and financial performance may be adversely affected.

In addition, the costs attributed to the revenue sharing fees with hosts have increased in China during the past few years for companies that provide audio entertainment services. In 2020, 2021 and 2022, we recorded revenue sharing fees of RMB432.6 million, RMB922.3 million and RMB1,296.6 million, respectively. If we are unable to manage such revenue sharing fees, we may incur more costs or otherwise lose opportunities to retain hosts on our platform. In addition, the compensation we pay to the hosts could significantly increase our cost of revenues and materially adversely affect our financial condition and results of operations.

We recorded net losses for the year ended December 31, 2020 and 2021, and we may not be able to achieve or maintain profitability.

During the Track Record Period, we recorded net profits of RMB509.3 million in 2022, and net losses of RMB154.0 million and RMB2,495.5 million in 2020 and 2021, respectively. We believe that our future abilities to achieve profitability will depend on factors that are beyond our control. Accordingly, you should not rely on our historical results of operations as an indication of our future performance. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our costs and expenses, we may continue to incur net losses in the future, and we may not be able to achieve or subsequently maintain profitability.

We are subject to regulations on online social networking and entertainment platforms, and failure to comply with the regulations may materially and negatively affect our reputation, business, financial condition and results of operations.

In August 2018, the National Office of Anti-Pornography and Illegal Publication, or the NOAPIP, the MIIT, the Ministry of Public Security, the Ministry of Culture and Tourism, the National Radio and Television Administration and the Cyberspace Administration of China jointly issued the Notice on Strengthen the Management of Live Streaming Service (《關於加強網絡直播服務管理工作的通知》), which required a real-name registration system for users to be put in place by live streaming service providers. Under this real-name registration system, we validate the identity information of the registered users primarily based on their mobile

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numbers. Currently, we are not required to obtain information such as legal names, citizen identification cards or other personal information during the registration process to validate the identity information of our users unless they are engaged hosts and/or withdraw the points. However, the PRC government may further tighten the real-name registration requirements or require us to implement a more thorough compulsory real-name registration system for all users on our platform, potential users may be deterred from registering with our platform, which may in turn negatively affect the growth of our user base and prospects.

In November 2020, the National Radio and Television Administration promulgated the Notice on Strengthening the Management of Online Show Live Broadcasting and E-commerce Live Broadcasting (《關於加強網絡秀場直播和電商直播管理的通知》) (the “Notice 78”). In February 2021, the National Internet Information Office, the NOAIP, the MIIT, Ministry of Public Security, the Ministry of Culture and Tourism, the SAMR and the National Radio and Television Administration promulgated the Guiding Opinion on Strengthening the Management of Online Live Broadcasting (《關於加強網絡直播規範管理工作的指導意見》) (the “Notice 3”). Notice 78 and Notice 3 set forth requirements for platforms providing online show live broadcasting, e-commerce live broadcasting and online live broadcasting as well as requirements for certain live broadcasting businesses with respect to real-name registration, limits on user spending on virtual gifting, restrictions on minors on virtual gifting, live broadcasting review personnel requirements, content tagging requirements, and other requirements. However, neither “online show live broadcasting” nor “online live broadcasting” is currently defined under Notice 78 and Notice 3. Unlike online live video broadcasting platforms that are typically subject to Notice 78 and Notice 3, our platform is a mobile voice-based social network platform which primarily operates voice chatrooms and social networking businesses. There is still uncertainty on the applicability and implementation standards of Notice 78 and Notice 3. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized or inquired by the relevant government authorities concerning our compliance with Notice 78 and Notice 3. Based on our consultation with the Radio and Television Administration of Guangdong Province on May 5, 2023, neither Notice 78 or Notice 3 provides clear penalty rules; if any entity violates Notice 78 or Notice 3, it will be notified to rectify such non-compliance, and no penalty will be imposed as long as such entity completes the rectification on time. Based on such consultation, our PRC Legal Advisor is of the view that (i) the responding official in the consultation is competent to represent the relevant authority giving the relevant confirmation; and (ii) the likelihood that we will be penalized by the Radio and Television Administration of Guangdong under Notice 78 and Notice 3 in the event we are not in compliance is low as long as we could rectify such non-compliance on a timely manner as required by the relevant government authorities in the event if we receive relevant rectification notice. Our entities incorporated in other provinces also carry out our abovementioned activities through apps, and we cannot guarantee that the relevant government authorities of those provinces will interpret the relevant provisions in the same way as that of the Radio and Television Administration of Guangdong province. Revenues generated by those apps accounted for an immaterial portion of the Group’s total revenues in the Track Record Period. Accordingly, our PRC Legal Advisor and our Directors are of the view that even if we were penalized for such apps under Notice 3 and Notice 78 by the local government authorities, the potential impact on the Group’s total revenues or results

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of operations would not be material. Moreover, should we be deemed by relevant authorities to be subject to Notice 78 or Notice 3 in the future, we might need to take further action in order to comply with such regulations, which may have an adverse impact on our business and results of operations. In addition, any further rule-making under Notice 78 and Notice 3 or other intensified regulation with respect to live streaming may increase our compliance burden in the relevant business, and may have an adverse impact on our business and results of operations.

We have received rectification orders from relevant PRC regulators in the past. See “– *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may materially and adversely affect our reputation, business, financial condition and results of operations” and “– The success of our business model is contingent upon our ability to provide a safe online environment for minors to experience and if we are not able to continue to provide a safe environment, our business will suffer dramatically.” We also do not have full control over the behaviors of our users and the content generated by them, and therefore cannot assure you that our platform would not be misused by others to engage in illegal or inappropriate activities. Due to the uncertainty of the evolving regulatory regime in the PRC, we may be subject to tightened implementation of applicable regulations in the future and additional restrictive measures may be imposed upon our platform. Such evolving changes in regulatory regime may adversely affect our results of operations and financial performance. Accordingly, we may be required to change our business strategies, substantially change the functions of our products, impose restrictions on user behaviors and content creation, or adjust our monetization methods. Also, we cannot assure you that our new products or features will meet the requirements of governmental authorities in China in a timely manner, or at all.

Our content monitoring system may not be effective in preventing misconduct by our users and misuse of our platform, and such misconduct or misuse may materially and adversely impact our business, financial condition and results of operations.

Our platform allows users to engage in voice-based interactions with each other and enjoy audio streaming and other social entertainment, among others. Our platform provides a virtual space for our users to discuss, share, comment and express themselves. Because we cannot guarantee that our control measures in place will be effective in controlling the activities conducted by our users and the content generated by them in real time, our platform may be misused by others to engage in illegal or inappropriate activities, or other activities that require permits, licenses or approval from the governmental authorities. If any illegal, inappropriate or unauthorized content is found on or linked to our platform, we as the service provider may be held liable for infringement of the rights of our hosts or users or violation of relevant PRC laws and regulations. The government may impose other legal sanctions against us, including, in serious cases, suspending or revoking the licenses needed to operate our platform.

We have deployed algorithm-based technologies and intelligent content-screening machines provided by third-party suppliers, supplemented by our employees and qualified staff outsourced from third parties, to identify and regulate illegal, fraudulent or inappropriate

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content or activities on our platform. See “Business – Content Management and Monitoring.” If our intelligent system fails to interpret the improper meaning of certain content, or if our monitoring team makes incorrect decisions as to the legality of certain content, illegal or unauthorized content may become accessible to our users via our platform and expose us to various risks, which may materially and adversely impact our reputation, brand image, business, financial condition and results of operations.

Despite our efforts to monitor content on our platform and the activities of the hosts and users, our platform was previously subject to rectification orders imposed by the government authority in the past, including notifying Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat app*. See “– *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may materially and adversely affect our reputation, business, financial condition and results of operations.” As a result of such incidents, we have adopted a more stringent content monitoring system to meet the tightened regulatory standards and to screen and remove inappropriate content on our platform. However, we cannot assure you that our content monitoring system is sufficient to detect all improper or illegal content or activities promptly in the future. We cannot assure you that we will not be subject to rectification orders, fines and other penalties in the future for improper or illegal content or activities on our platform. Moreover, our continued regulatory compliance efforts in this regard may be costly, as they may divert a significant amount of management time and financial resources. If we fail to effectively prevent misconduct by our platform users and misuse of our platform, our reputation, business, financial condition and results of operations may be materially and adversely affected.

***TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may adversely affect our reputation, business, financial condition and results of operations.**

We received rectification orders from relevant PRC regulators in the past. For instance, in February 2022, the CAC notified Apple’s and Android’s App Stores to suspend the downloading of our *TT Chat app* mainly because, among others, *TT Chat app*, was deemed by relevant authorities to possess relatively strong public opinion attributes and social mobilization capabilities and to not have completed and cleared requisite security assessment with the relevant authorities. In January 2023, the suspension on downloading of our *TT Chat app* was lifted after we performed certain rectification measures and completed and cleared requisite security assessment with the relevant authorities. Due to such suspensions, the growth of user base and usage of *TT Chat app* were adversely affected during these suspension periods. During the Track Record Period and up to the Latest Practicable Date, our other apps operated by Guangzhou Shabake, one of our Consolidated Affiliated Entities, were not suspended or subject to any penalties. As a result, our average MAUs decreased from 16.8 million in 2021 to 13.8 million in 2022. See “Business – Content Management and Monitoring.” Our *TT Chat app* is currently available for download in all major app stores. During the Track Record Period and as of the Latest Practicable Date, no administrative penalties were imposed upon us regarding network security, data security or personal information protection by any relevant

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authorities. If non-compliance with PRC laws and regulations occurs again in the future or if the PRC government undertakes further actions against our mobile apps, our mobile apps may again be suspended from all app stores for an indefinite time, and we may be subject to other rectification orders or penalties and heightened regulatory scrutiny in the PRC, thereby having an adverse impact on our business, financial condition and business prospects.

If we fail to obtain or maintain the required regulatory licenses and approvals or if we fail to comply with laws and regulations applicable to our industry, our business, financial condition and results of operations may be materially and adversely affected.

Our business is subject to regulation by various governmental authorities in China, including the CAC, the Ministry of Industry and Information Technology, the Ministry of Culture and Tourism, the National Radio and Television Administration, as well as the corresponding local regulatory authorities. Such governmental authorities promulgate and enforce laws and regulations that cover a variety of business activities related to our operations. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, and permits for, the relevant business activities.

Due to the uncertainties of interpretation and implementation of existing and future laws and regulations, the regulatory licenses we held may not be sufficient to meet regulatory requirements, which may restrain our ability to conduct and expand our business and may subject us to fines or other regulatory actions by relevant regulators if our practice is deemed as violating relevant laws and regulations. As we further develop and expand our business, we may need to obtain additional qualifications, permits, filings, approvals or licenses. Moreover, we may be required to obtain additional licenses or approvals if the PRC government adopts more stringent policies or regulations for our industry.

For example, according to the PRC Administrative Provisions on Internet Audio-visual Program Services (《互聯網視聽節目服務管理規定》), a provider of online audio-visual program service is required to obtain an Online Transmission of Audio-visual Programs License (the “Audio-visual License”), and such provider is generally required to be either state-owned or state-controlled. According to the Notice 3, the live broadcasting platform conducting online audio-visual program service should either hold an Audio-visual License or register in the National Internet Audio-visual Platform Information Management System. See “Regulations – Regulations Related to Online Transmission of Audio-Visual Programs.” Since we are not eligible to directly apply for the Audio-visual License according to the current PRC laws and regulations, we have applied for registration for *TT Chat App* in the National Internet Audio-visual Platform Information Management System. Our application has been reviewed by the Radio and Television Administration of Guangdong Province (the “Guangdong RTA”) and is currently subject to the review of National Radio and Television Administration. Based on our consultation with the Radio and Television Administration of Guangdong Province (the “Guangdong RTA”) on May 5, 2023, (i) after the registration in the National Internet Audio-visual Platform Information Management System, the provider of online audio-visual program service will be subject to supervision and will be deemed as qualified to provide audio-visual program services; accordingly, such provider is not required to hold an

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Audio-visual License to provide online audio-visual program services; and (ii) since our registration in the National Internet Audio-visual Platform Information Management System is already in the aforementioned process, we are currently subject to supervision and we can carry out our principal business operations. Based on such consultation, our PRC Legal Advisor is of the view that (i) the responding official in the consultation is competent to represent the relevant authority giving the relevant confirmation; and (ii) since our registration in the National Internet Audio-visual Platform Information Management System is already in the aforementioned process, we can carry out our abovementioned principal business. However, we also carry out the above business through other apps maintained by certain of our entities. We have not yet applied for the relevant registration of the apps with respect to such operations yet, and we cannot assure you that the interpretation of the relevant provisions by the other relevant government authorities in other provinces will be the same as the foregoing. The revenue of such apps accounted for an immaterial portion of the Group’s revenue during the Track Record Period. Accordingly, our PRC Legal Advisor is of the view that if we were required to obtain the Audio-visual License or to register in the National Internet Audio-visual Platform Information Management System for such apps, the potential impact on the total revenues or results of operations of the Group would not be material. Moreover, the relevant government authority may interpret the requirement of the relevant provisions of PRC law differently in the future, or PRC government may promulgate new laws and regulations to further regulate online audio-visual program service. If we fail to ensure compliance with such new interpretation or laws and regulations accordingly, our business may be subject to uncertainties and restrictions, and we may be required to rectify within a limited period of time and subject to fines, confiscation of equipment engaged in illegal activities, suspension of our services or other penalties, which may materially and adversely affect our business, financial conditions and results of operations.

According to the Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》) and the Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》), an online game is required to be pre-approved by the NPPA before being published and operated online. At present, there are some in-app casual social games structured and presented with HTML5, or H5, standard embedded within our voice chatrooms on apps accessible to users. Those in-app casual social games are provided free of charge for the purpose of enriching social experience and attract traffic, and do not have any payment functions, such as purchasing game equipment, skins or other items. Based on our consultation with the NPPA via official consultation hotline, (a) whether a game needs to obtain pre-approval from NPPA for online game publishing depends on multiple factors, including: (i) whether it is an online game operated for the general public, (ii) whether there is money transaction such as payment or monetization of game equipment, (iii) whether the nature of the game has a high possibility of non-compliance (for example, the gambling game); and (b) as our in-app casual social games is mainly focused on the gamer-based social attribute, and are provided free of charge for the purpose of enriching social experience and attract traffic without any payment functions, such games are currently unlikely to be required to obtain the pre-approvals of online game publishing from the NPPA. However, the relevant government authority may interpret and implement the requirement of the relevant provisions of PRC law differently or PRC government may promulgate new laws and regulations to further regulate

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online game publishing, which may require our in-app casual social games to obtain the pre-approval of online game publishing by the NPPA, we may be subject to fines, removal of relevant online publishing games, confiscation of illegal gains and main equipment and special tools engaged in illegal activities, suspension of our services or other penalties, which may adversely affect our business, financial condition and results of operations.

We used to engage in the game distribution business in China, of which the regulatory requirements have changed in recent years. According to the relevant laws and regulations, (i) the MOCT no longer undertakes the responsibility for the administration of the online game industry, and the cultural administrative authorities have no longer approved or issued the ICB Licenses within the business scope of operating online games via the internet (including the issuance of virtual currencies used for online games) or conducting trade of virtual currencies used for online games via the internet; and (ii) the Interim Measures for the Administration of Online Game (《網絡遊戲管理暫行辦法》), which require any entity engaged in these online games operating activities to obtain an ICB License, was abolished on July 10, 2019. We conducted telephone consultations with the MOCT and the Publicity Department of the Central Committee of the Communist Party of China, or the Publicity Department, via the official consultation hotlines. Based on such consultations, (i) the MOCT has no longer undertaken the responsibility for the administration of the online game industry, and the supervision responsibility of the online game industry has been undertaken by the Publicity Department; (ii) any entity engaged in online game operating activities does not need to obtain the ICB License or any other alternative license any more. Based on the above, our PRC Legal Advisor is of the view that (i) the responding officials in these consultations have the requisite authorities to provide such confirmations; (ii) the Group, which no longer engages in the game distribution business, is currently not required to obtain the abovementioned game-related ICB licenses, and (iii) the aforementioned changes in regulatory requirements will not have a material adverse effect on the Group’s business operation and financial performance.

As of the Latest Practicable Date, we have not been subject to any material penalties from the relevant government authorities for failure to obtain any licenses, permits or approval for our business operations. We cannot assure you, however, that the government authorities will not do so in the future. In addition, we may be required to obtain additional licenses or permits, and we cannot assure you that we will be able to timely obtain, maintain or renew all the required licenses or permits or make 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 require suspension of the violating operations, seize our equipment and special tools in connection with such operations, confiscate our illegal gains or revoke the license, which may materially and adversely affect our business. If we fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, we may be subject to various penalties. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

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We may be liable for improper use or appropriation of personal information.

Our business involves collecting and retaining user data, including personal information, as our various information systems are used for data entry, data procession, data analysis, data summarization and data reporting. We also maintain business operation data as well as employee personal information. The integrity and safety of data resources regarding our users, employees and business operation is critical to our business. Our users and employees expect that we will adequately protect their personal information. We are required by applicable laws to keep strictly confidential the personal information that we collect, and to take adequate security measures to safeguard such personal information.

The PRC Criminal Law (《中華人民共和國刑法》), as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits selling or providing personal information of citizens to others, or stealing or otherwise illegally acquiring personal information of citizens in violation of laws and regulations. On November 7, 2016, the SCNPC issued the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, the network operators, including the owners and administrators of networks and network products or service providers, have various personal information security protection obligations, including restrictions on the collection and use of personal information of users, and network operators are required to take steps to prevent personal information from being divulged, stolen, or tampered with. The Civil Code of the PRC (《中華人民共和國民法典》) (issued by the PRC National People’s Congress on May 28, 2020 and effective from January 1, 2021) provides main legal basis for privacy and personal information infringement claims under the Chinese civil laws. Furthermore, on August 20, 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC, or the Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective on November 1, 2021, setting forth detailed rules for processing personal information. PRC regulators, including the Cyberspace Administration of China, MIIT, and the Ministry of Public Security have been increasingly focused on law enforcement in the areas of data security and data protection.

Regulatory requirements regarding the data security and data protection are constantly evolving and can be subject to differing interpretations or significant change, making the extent of our responsibilities in that regard uncertain. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. For instance, various regulatory bodies in China, including the Cyberspace Administration of China, the Ministry of Public Security and the SAMR, have enforced data privacy and protection laws and regulations with varying and evolving standards and interpretations. On December 28, 2021, the CAC and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators (“CIIO”) purchasing network products and services and internet platform operators carrying out data processing activities, which affects or may affect national security, are subject to the regulatory scope; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must

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file for the cybersecurity review and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, we have not been identified as a CHIO under current effective PRC laws and regulations. Our PRC Legal Advisors conducted consultation via the hotline published by the CAC on a named basis on behalf of us on May 7, 2023, with an officer of the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRC”). The CCRC is a competent authority on this consultation, because it is entrusted by the Cybersecurity Review Office under the CAC with authority to accept and review of application materials and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, we do not need to proactively file for the cybersecurity review, given Hong Kong is part of PRC and does not belong to any “foreign country” as contemplated in the Cybersecurity Review Measures. As the Cybersecurity Review Measures are released recently, some provisions and implementation standards in such measures are still subject to the further guidance by relevant authorities. The relevant authorities have discretions in the interpretation and enforcement of such regulations, and it is unclear whether and how such regulations will further evolve into supervisory measures in the future, and we will closely monitor and assess any development in the rule-making process. If we become subject to cybersecurity review or investigations launched by PRC regulators in the future, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the related laws and regulations may result in fines or other penalties, including suspension of business, website closure, removal of our app from the relevant app stores, and revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People’s Congress of China, or the SCNPC, promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect in September 2021. The PRC Data Security Law imposes data security obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked or illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down 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 cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies, and the laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes, which may require greater information security responsibilities and

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stronger cross-border information management mechanism and process. On November 14, 2021, the CAC issued the Draft Cyber Data Security Regulations (網絡數據安全管理條例(徵求意見稿)), which provide that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (數據出境安全評估辦法) (the “Security Assessment Measures”), effective from September 1, 2022. The Security Assessment Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside China. As of the Latest Practicable Date, we are not involved in any cross-border transfer of personal information and important data during our daily operations, and therefore do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer. However, since the Security Assessment Measures is newly promulgated, there are uncertainties as to the interpretation and application of it. We cannot assure you that relevant regulatory authority will take the same view as ours. In the event the regulatory authority deems that the Security Assessment Measures apply to us, we will be subject to the relevant requirements. For more information about recent development of applicable laws and regulations, see “Regulations – Regulations Related to Internet Information Security and Privacy Protection.” As uncertainties remain regarding the interpretation and implementation of these laws and regulations, we may become subject to additional compliance costs and liabilities under such laws and regulations and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. We may also become subject to fines and/or other sanctions which may have material adverse effect on our business, operations and financial condition.

During the Track Record Period, we have received notices from the relevant governmental authorities in China requiring us to enhance our data privacy protection measures on the mobile apps we operate in accordance with the applicable law and regulations of the PRC, without imposing any penalty on us. These notices were primarily related to *TT Chat* app’s (i) collection of users’ personal information, such as collecting or enabling collections of personal information before obtaining users’ consent, setting a default check when the app is seeking users’ consent, collecting users’ software installation list without users’ prior consent, repetitive pop-up notifications asking for users’ permission to access phone and storage and subsequent inaccessibility of the app upon the users’ refusal, and lacking prominent prompt in the information window on the opening page of the app; (ii) potential security risks such as encryption vulnerabilities of sensitive information and clickjacking risks; and (iii) failure to carry out rating record-filing, compliance evaluation and security risk assessment of the relevant business systems. We carried out various mitigation measures in response to these notices. To avoid recurrence of such events, we upgraded our mobile apps to initialize the

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collection of personal information only after users authorize the privacy policy, strengthen the encryption of the sensitive information, and deploy user alerts to reduce clickjacking risks. We implement a data privacy policy with respect to how we collect, store, process and use user data and information, and we may only use such data and information to provide and improve our services in compliance with the relevant laws and regulations or such policy. Despite the absence of any material data breach or similar incidents and our continuous efforts to comply with our privacy policy as well as all applicable data protection laws and regulations, any failure or perceived failure to comply with these laws, regulations or policy may result in inquiries 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.

Any system failure or compromise of our security that results in the 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 brand reputation, 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 expending 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.

In addition, the interpretation and application of the aforementioned laws and regulations are often uncertain and in flux. Our practice may become inconsistent with these laws and regulations. If so, in addition to the possibility of fines, this could result in an order requiring that we change our practices, which could have an adverse effect on our business and results of operations.

We face risks and uncertainties to comply with the laws, regulations and rules in various aspects in overseas jurisdictions. Failure to comply with such applicable laws, regulations and rules may subject our overseas operation to strict scrutiny by local authorities, which in turn may materially and adversely affect our overseas operations.

As we expand our operations overseas, we may have to adapt our business models or operations to the local markets due to various legal requirements and market conditions. Despite that we do not believe our international operations will be significant to our business in the near future, our international operations and expansion efforts may result in increased costs and are subject to various risks, including content control from local authorities, uncertain enforcement of intellectual property rights and infringements, the complexity of compliance with foreign laws and regulations and cultural differences. Compliance with applicable foreign laws and regulations related to matters that are central to our business, including those related to virtual gift sales, content restrictions, data privacy and minors protection, increases the costs and risk exposure of doing business in foreign jurisdictions. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. As our overseas operations evolve, we cannot assure you that

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we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity involved in our overseas business expansion, we cannot assure you that we are in compliance with all local laws or regulations, including license requirements, or that our existing licenses will be successfully renewed or expanded to cover all of our areas of operations.

In addition, cultural differences may also impose additional challenges to our efforts in content control. Therefore, such different and possibly more stringent regulatory and cultural environments may increase the risk exposure to our daily operations in foreign jurisdictions. Our failure to comply with other foreign laws, regulations and rules could materially and adversely affect our business, results of operations, global reputation and global growth efforts. In addition, each foreign jurisdiction may have different regulatory framework, implementation and enforcement for mobile social networking platforms, which may substantially increase our compliance costs to obtain, maintain or renew requisite licenses and permits or fulfill any required administrative procedures.

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

From time to time, we are subject to or involved in legal claims, disputes, and legal or regulatory proceedings in the course of our business operations, such as those relating to trademark or other IP infringement, minor protection, users’ private information and noncompliant content on the platform. Such claims and proceedings may be brought by third parties, including users, employees, business partners, governmental or regulatory bodies, competitors or other third parties. 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, securities or other matters, which could adversely affect our reputation and results of operations. As a result, our business, financial condition, results of operations may be materially and adversely affected.

There is no guarantee that we will be successful in defending ourselves in legal proceeding under various laws. We may incur significant expenses related to such proceedings, which may negatively affect our operating results if changes to our business operations are required. 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.

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If we fail to effectively manage our growth and control our costs and expenses, our business and operating results could be harmed.

We have experienced rapid growth in our business and operations and expansion of our platform since our inception in 2014, which places significant demands on our management, operational and financial resources. Our average MAUs increased by 37.5% from 12.3 million in 2020 to 16.8 million in 2021, and decreased by 17.9% to 13.8 million in 2022. Given our limited operating history and the rapidly evolving market in which we compete, we may encounter difficulties as we establish and expand our operations, research and development, product development, sales and marketing and administrative capabilities. We face significant competition for talented employees from other companies, which include both publicly traded and privately held companies, and we may not be able to hire new talent quickly enough to meet our needs and support our operations. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our employee morale, productivity and retention could suffer, and our business and operating results could be adversely affected.

We expect our costs and expenses to continue to increase in the future as we broaden our user base and increase user engagement, and develop and implement new features and services that require more complexity. In addition, our cost and expenses, such as our research and development expenses, sales and marketing expenses and administrative expenses, have grown rapidly as we expanded our business. Historically, our costs increased each year, and we expect to continue to incur increasing costs to support our anticipated future growth. We expect to continue to invest in our technology infrastructure in order to enable us to provide our services rapidly and reliably to users. Continued growth could also strain our ability to maintain reliable service levels for our users, develop and improve our operational, financial, legal and management controls, and enhance our management systems and procedures. If we are unable to generate adequate revenues and to manage our expenses, we may not be able to achieve profitability or may incur significant losses in the future. Our expenses may grow faster than our revenues, and our expenses may be greater than we anticipate. In 2020, 2021 and 2022, our operating expenses, including selling and marketing expenses, administrative expenses and research and development expenses were RMB959.6 million, RMB1,748.1 million and RMB1,246.5 million, respectively. Managing our growth will require significant expenditures and the allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition could be harmed.

If we fail to fulfill our obligations under our contracts with our customers, our business, results of operations and financial condition may be adversely affected.

Our contract liabilities are primarily related to advances for the purchase of virtual items and advanced cash receipt. As of December 31, 2020, 2021 and 2022, we recorded contract liabilities of RMB58.0 million, RMB80.5 million and RMB115.0 million, respectively. Our

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contract liabilities increased during the Track Record Period mainly due to the increases in our paying users and their spending on our platform. See “Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets – Contract Liabilities.”

If we fail to fulfill our obligations under our contracts with our customers, we may not be able to convert such contract liabilities into revenue, and our customers may require us to refund the advance payments they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirement, and in turn, our results of operations and financial conditions. In addition, if we fail to fulfill our performance obligations under our contracts with customers, our relationship with such customers may be affected, which may in turn affect our reputation and results of operations in the future.

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 rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. See also “Business – Intellectual Properties.” In China, we market our key services under the brand “*TT Chat*.” Our business and financial performance are highly dependent on the strength and the market perception of our brand and services. A well-recognized brand is critical to increasing our user base and, in turn, facilitating our efforts to monetize our services and enhancing our attractiveness to customers. 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 prospects may be materially and adversely affected. We currently have pending trademark applications in China. There can be no assurance that our application for the registration with competent government authorities of trademarks and other intellectual property rights related to our current or future business will be approved, or our intellectual property rights will not be challenged by third parties or found by the relevant governmental or judicial authority to be invalid or unenforceable. We have, from time to time, encountered and may encounter in the future, difficulties registering our trademarks or other intellectual properties or have disputes with third parties regarding our trademarks or other intellectual properties. If the relevant trademarks or other intellectual properties could not be registered, we may fail to prevent others from using such intellectual properties, and our business, financial condition and results of operations may be materially and adversely affected.

Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources. In addition, we must actively protect and maintain the legal ownership of our trademarks under which we market our brand and operate our platforms and

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business. Any failure to register or maintain the registration of our trademarks in any geographic region in which we operate our business may result in an adverse and material effect on our operation and financial conditions.

If we are unsuccessful in obtaining trademark protection for our trademarks, we may be required to change our brand names and may incur substantial costs in diverting the existing users and potential users to the entrance under a new name and may lose user traffic on our platform to a material extent during the process. Any potential conflict over the usage of “*TT Chat*” brand may expose us to substantial legal costs and take up the time and energy of our management which could have been used on development of our business.

Our business may be harmed if we were to lose our senior management and key employees’ services or if we were not able to hire, retain and motivate qualified personnel for important positions.

We depend on the continued contributions of our senior management, especially the executive officers listed in “Directors and Senior Management” section of this Document, and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers or other key employees could materially harm our business.

Our future success is dependent on our ability to attract a significant number of qualified employees and retain existing key employees, especially our product development and technology professionals. We believe that there is, and will continue to be, intense competition for highly skilled management, technical, sales and other personnel with experience in our industry in the cities where our offices are located. Our need to significantly increase the number of our qualified employees and retain key employees may cause us to materially increase compensation-related costs, including stock-based compensation. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. In addition, our senior management team has limited experience in running public companies, which will require us to expend additional resources in hiring additional support staff and incur additional costs and expenses. To the extent we hire personnel from competitors, we also may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. If we are unable to retain and motivate our existing employees and attract qualified personnel for important positions, we may be unable to manage our business effectively, including the development, marketing and sale, which could adversely affect our business, operating results and financial condition, and the price of our [REDACTED] could suffer.

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

We have adopted a share incentive plan for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. See “Statutory and General Information – D. Employee Incentive Plan” in Appendix IV to this Document for details. For the years ended December 31,

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2020, 2021 and 2022, we recorded RMB1.5 million, RMB97.9 million and RMB53.1 million share-based compensation expenses in relation to share options granted, respectively. The increase in share-based compensation expenses in relation to share options granted from RMB1.5 million in 2020 to RMB97.9 million in 2021 was primarily due to the adoption of the 2020 Global Employee Incentive Plan in late 2020 to provide competitive compensation to our employees. The decrease in share-based compensation expenses in relation to share options granted from RMB97.9 million in 2021 to RMB53.1 million in 2022 was primarily due to the decreased recognition of share-based compensation expenses over the term of the vesting schedule of the share options granted.

We believe the granting of share options is of significant importance to our ability to attract and retain our employees, and we will continue to grant share options to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. If additional share options or other equity incentives are granted to our employees, directors or consultants in the future, we will incur additional share-based compensation expense and our results of operations will be further adversely affected.

We rely on our mobile app to provide services to our users which, if inaccessible, may have a material adverse impact on our business, financial condition and results of operations.

We rely on third-party mobile app distribution channels such as Apple’s App Store, various Android’s App Stores and other channels to distribute our mobile app to users. We expect a substantial number of downloads of our mobile app will continue to be derived from these distribution channels. For example, the suspension of downloading of our *TT Chat* app from February 2022 to January 2023 on Apple’s and Android’s App Stores led to the decrease of our average MAUs from 16.8 million in 2021 to 13.8 million in 2022. Our *TT Chat* app is currently available for download in all major app stores. As such, the promotion, distribution and operation of our apps are subject to such distribution platforms’ standard terms and policies for app developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. A few of these third-party platforms dominate the mobile application distribution channels. Any changes in the revenue-sharing arrangements that we have with any of the major third-party application distribution platforms may materially impact our revenue and profitability. In addition, changes in the credit period or the settlement cycle terms of these third-party platforms may materially and adversely affect our cash flow. If such app stores or any other major distribution channels interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected. If any of our entities or any of our mobile apps is disallowed for downloading or distribution by these third parties for whatever reason, we will need to find an alternative approach to distribute the apps, and our reputation and business may be materially and adversely affected.

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We have experienced in the past temporary removal of our *TT Chat* app by mobile app stores for reasons such as government scrutiny on our business or industry or enhanced compliance requirements by such third-party platforms, see “– *TT Chat app* had in the past been ordered to take rectification measures by relevant PRC regulators, and any regulatory non-compliance or negative incident in this regard may materially and adversely affect our reputation, business, financial condition and results of operations.” We cannot assure you that our app will not be removed again by a third-party mobile app distribution channel in future and our business operation, reputation and financial conditions may be materially and adversely affected. In addition, we may rely on such third-party platforms as our payment channels including through in-app purchases. Any suspension or removal of our apps from these platforms may result in material adverse impact on our results of operations due to the unavailability of such payment channels.

We have been and may be subject to intellectual property infringement claims or other allegations by third parties for information or content displayed on, retrieved from or linked to our platform, or distributed to our users, which may materially and adversely affect our business, financial condition and prospects.

We allow users to upload text, graphics and other content to our platform and download, share, link to and otherwise access games and other content on our platform. We have adopted procedures designed to reduce the likelihood that content might be used without proper licenses or third-party consents, such as providing warnings and restrictions in user agreements and implementing complaint handling measures. However, these procedures may not be effective in preventing the unauthorized posting of copyrighted content. 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 platform.

Companies in the internet, technology and media 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. We face, from time to time, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair competition against our competitors. 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.

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Defending intellectual property litigation is costly and can impose a significant burden on our management and employees, and there can be no assurances 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 platform to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects.

If the software used by our mobile app and internal systems contains undetected programming or system 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 relied 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.

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 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, and may occur on our mobile app 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 technical 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. 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.

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User growth and engagement depend upon effective interoperation with mobile operating systems, networks, mobile devices and standards that we do not control.

We make our services available across a variety of mobile operating systems and devices. We are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in such mobile operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. Further, if the number of platforms for which we develop our services increases, which is typically seen in a dynamic and fragmented mobile services market such as China, it will result in an increase in our costs and expenses. In order to deliver high-quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards. In the event that it is difficult for our users to access and use our services, particularly on their mobile devices, our user growth and user engagement could be harmed, and our business and operating results could be adversely affected.

Users’ payments to purchase and use of virtual items on our mobile apps could expose us to additional regulatory requirements and other risks that could be costly or difficult to comply with.

We may be subject to a variety of laws and regulations in the various jurisdictions where our users are located in respect of the users’ payments to purchase virtual items on our apps through third-party payment platforms, including those governing money transmission, gift cards and other prepaid access instruments, electronic funds transfers, anti-money laundering, counter-terrorist financing, gambling, banking and lending. For example, we currently cooperate with third-party payment channels, such as Weixin Pay, Alipay and Apple Pay, to process users’ payments. These third-party payment channels are subject to applicable anti-money laundering laws and regulations in China, which require them to comply with certain anti-money laundering requirements, including establishing the customer identification procedure, monitoring and reporting suspicious transactions and preserving users’ information and transaction records. If a third-party payment channel fails to perform its anti-money laundering obligations, it may be subject to fines or other proceedings, and the payment process on our platform may be compromised, which may have an adverse effect on our business and financial performance. In addition, the third-party payment channels that we collaborate with may be subject to supervision of People’s Bank of China, which may publish rules, guidelines and interpretations from time to time to regulate the operation of financial institutions and payment service providers. In some jurisdictions, the application or interpretation of these laws and regulations may be unclear. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties, or we may be required to make product or marketing practice changes, any of which could have an

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adverse effect on our business and financial results. In addition, we may be subject to a variety of additional risks as a result of these payments by users, including potential fraudulent or otherwise illegal activity by users, employees or third parties.

Our operations depend on the performance of the internet infrastructure in China.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to support our business. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China’s internet infrastructure provided by telecommunication service providers. Web traffic in China has experienced significant growth during the past few years. Effective bandwidth and server storage at internet data centers in large cities are scarce. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platform. We cannot assure you that the internet infrastructure in China will be able to support the demands associated with the continued growth in internet usage. If we cannot increase our capacity to deliver our online services, we may not be able to achieve the increases in traffic we anticipate from our expanding user base, and the adoption of our services may be hindered, which could adversely impact our business.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if internet access fees or other charges to internet users increase, some users may be prevented from accessing the mobile internet and thus cause the growth of mobile internet users to decelerate. Such deceleration may adversely affect our ability to continue to expand our user base.

Any disruption to 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 reputable cloud service providers 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 under

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certain circumstances. 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.

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

We use open source software in our internal systems and mobile apps and will continue to use open source software in the future. To handle risks in this regard, we have set up an internal system 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 apps. 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 use third-party services or partner with third parties in connection with our business, and any disruption to the provision of these services to us or any deterioration of our relationship with our business partners could result in adverse publicity and a slowdown in the growth of our user base, which could materially and adversely affect our business and results of operations.

Our business depends upon services provided by, and relationships with, third parties, including:

- A significant component of our business is matching users with other users who share the same interest, for example with game buddies for online games, which are developed and operated by third parties.
- We market our platform and acquire new users through various channels, such as short video platforms, multi-channel network content creators and app stores. If our relationship with these third parties deteriorates, or they for whatever reason cease to distribute our mobile apps or other services, our business may be materially and adversely affected.

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- In addition, we sell a significant portion of our virtual items through third-party online payment systems. If any of these third-party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual items online, in which case our results of operations would be negatively impacted.

We exercise no control over the third parties with whom we have business arrangements and do not have control over the security measures of our third-party online payment vendors. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material and adverse effect on our business, financial condition and results of operations. 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.

Some of our users may make sales or purchases through unauthorized third-party platforms of virtual currency we offer at prices lower than normal on our platform, which may affect our revenue-generating opportunities and exert downward pressure on the prices we charge for our virtual currency.

We, in very occasional cases, offer virtual currency at lower prices than normal to attract users or encourage user participation. Some of our users may sell or purchase such virtual currency through unauthorized third-party sellers in exchange for real currency. For example, in limited circumstances, user A may pay another user B to send virtual gifts with virtual currency that user B bought at lower prices than normal in his/her account to the host that user A wants to support. Under such circumstances, user A generally pays user B a price between the actual price user B paid for the virtual currency on the platform and the normal price of such virtual currency. These unauthorized transactions are usually arranged on third-party platforms which we do not and are unable to track or monitor. Accordingly, these unauthorized purchases and sales from third-party sellers may affect our revenue-generating opportunities and may impede our revenue and profit growth by, among other things, reducing the revenues we could have generated had such users paid the full prices of our virtual items and exerting downward pressure on the prices we charge for our virtual currency.

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We face risks associated with potential 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, 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.

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. Therefore, 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.

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Past and future strategic business partnerships or acquisitions may have a material and adverse effect on our business, reputation and results of operations.

We may in the future enter into transactions including joint ventures, strategic investments and intellectual property licensing and operations with various third parties. Such strategic transactions with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, nonperformance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions and to the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing business. In the past, for example, we acquired 100% equity interest in Xiamen Saimailei for a cash consideration of RMB42 million in 2019. For our major acquisitions in the history, see “History, Reorganization and Corporate Structure – Major Acquisitions, Disposals, Mergers and Minority Investments.” 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. Acquired assets or businesses may not generate the financial or operating results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired 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 the government authorities in the PRC for the acquisitions and comply with applicable PRC laws and regulations, which could result in increased costs and delays.

We have limited experience in international markets. If we fail to meet the challenges presented by our expansion overseas, our business, financial condition and results of operations may be materially and adversely affected.

We are exploring opportunities overseas. We have limited experience in international markets and we expect to enter and expand our operations in international markets. Global expansion could expose us to a number of risks, including:

- compliance with applicable foreign laws and regulations, including but not limited to internet content provider licenses, internet content requirements, foreign exchange controls, cash repatriation restrictions, intellectual property protection rules and data privacy requirements;

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- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them;
- challenges in formulating effective marketing strategies targeting users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in attracting users to generate appealing content on our overseas platforms;
- challenges associated with internet infrastructure and telecommunication network services overseas and risks of system security breaches;
- local competition;
- local employment laws and practices;
- fluctuations in currency exchange rates;
- exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and assessments in multiple jurisdictions on various tax-related assertions, including transfer pricing adjustments and permanent establishment; and
- increased costs associated with doing business in foreign jurisdictions.

Despite that we do not believe our international operations will be significant to our business in the near future, our business, financial condition and results of operations may be adversely affected by these and other risks associated with our global expansion.

Our results of operations are subject to seasonal fluctuations due to a number of factors that could adversely affect our business and the [REDACTED] price of the [REDACTED].

We experience seasonality in our business, reflecting seasonal fluctuations in internet and online entertainment usage. As a result, comparing our operating results on a period-to-period basis may not be meaningful. For example, online user numbers tend to be lower during school terms, which negatively affects our user activities for those periods because a portion of our users are college students. Internet usage and the rate of internet growth may also decline during the school terms as some students lose regular internet access. For example, in 2021, the average MPU for the third quarter increased by 32% as compared to that in the second quarter.

Due to the foregoing factors, our operating results in one or more future periods may fall below the expectations of securities analysts and investors. In such event, the [REDACTED] price of the [REDACTED] would likely be materially and adversely affected.

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The success of our business model is contingent upon our ability to provide a safe online environment for minors to experience and if we are not able to continue to provide a safe environment, our business will suffer dramatically.

According to the Minors Protection Law latest amended in October 2020 (effective in June 2021) (《中華人民共和國未成年人保護法》), 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 that are harmful to the physical and mental health of minors; online service providers are also prohibited from providing minors with products and services that may be addictive. According to the Provisions on the Administration of Programs for Minors (《未成年人節目管理規定》) issued by the National Radio and Television Administration, which came in effect on April 30, 2019, and as amended on October 8, 2021, online audio-visual program service providers and program producers shall produce and disseminate programs for minors based on the physical and mental development status of the minors at different ages, and there should be images or sounds that prompt such programs. See “Regulations – Regulations Related to the Protection of Minors in Online Entertainment.”

Our platform hosts a number of experiences intended for audiences of varying ages, a material percentage of which are attractive to minors. As a user generated content platform, it is relatively easy for developers, creators and users to generate content that can be viewed broadly. We have made significant efforts to provide a safe and enjoyable experience for users of all ages. We have established a minor mode on our platform, where underage users may only access and view minor-friendly content subject to certain additional limitations on time spent and certain functions. We invest significant technical and human resources to prevent inappropriate content on the platform by reviewing content on our platform in order to identify and block illegal or inappropriate content. Notwithstanding our efforts, from time to time illegal or inappropriate content is successfully uploaded onto our platform and can be viewed by others prior to being identified and removed by us. This content could cause harm to our audience and to our reputation of providing a safe environment for minors to play online. If we are unable to prevent, or are perceived as not being able to sufficiently prevent, all or substantially all inappropriate content from appearing on our platform, parents and minors will lose their trust in the safety of our platform, which would harm our overall acceptance by these audiences and would likely result in significantly reduced revenue, profitability and ultimately, our ability to continue to successfully operate our platform.

We have received complaints on issues of minors’ consumption activities on our platform and on certain contents on our platform that are allegedly not suitable for minors. During the Track Record Period, the complaints on issues of minors’ consumption activities on our platform typically involved (i) the alleged failure of us to set comprehensive restrictions on minors’ consumption and effectively monitor their consumption activities and/or (ii) requests for refunds and other remediation measures for suspected minors’ consumption activities. During the Track Record Period, we received a total of approximately 4,300 refunding requests

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for suspected minors’ consumption activities, 59 of which resulted in litigation against us. As of the Latest Practicable Date, all of these requests had been settled except for three requests which were in the process of litigation. We refunded approximately RMB3.9 million, RMB6.2 million and RMB7.3 million in 2020, 2021 and 2022 for such settlements, respectively. The three requests that had not been settled as of the Latest Practicable Date involved potential refunds of approximately RMB0.26 million in aggregate. During the Track Record Period, the actual and potential settlement amounts accounted for an immaterial portion of our revenues, and the number of users that requested such refunds accounted for a negligible portion of that of our paying users. We have also been subject to regulatory inquiries and immaterial monetary penalties relating to similar issues from time to time. During the Track Record Period, such inquiries and penalties were primarily related to the enhanced minor mode on our platform and the minor protection measures required by regulatory authorities. Correspondingly, we have adjusted and optimized the minor mode on our platform, enriched content and functions suitable for minors, and implemented the anti-addiction compliance system, etc. We cannot assure you that we will not be subject to such complaints, inquiries and penalties in the future. We have adopted various measures to enhance minors protection. However, these efforts may not be sufficient to prevent minors from using the nonminor version of our mobile app and accessing the content thereon. 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, we may receive further refunding requests which may result in litigation actions against us, our users may lose trust in us and our reputation may be seriously harmed, our mobile app may 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 may be negatively affected by the potential obligations to make additional social insurance and housing fund contributions or may be subject to relevant administrative penalties.

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 and housing fund, to designated government agencies for the benefit of our employees and associates. Companies registered and operating in China are required under the Social Insurance Law and the Regulations on the Administration of Housing Funds 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 and unemployment insurance to the extent required by law. Should we be found not completely in compliance with the aforesaid requirements, 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

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finances. 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.

During the Track Record Period and up to the Latest Practicable Date, certain of our PRC operating entities did not have any employees and have not opened housing provident fund accounts and/or social insurance accounts. These PRC operating entities are required to open housing provident fund accounts and social insurance accounts according to the relevant PRC laws and regulations. In addition, we have not made full contributions to the social insurance plans and housing funds for our employees as required by PRC laws and regulations. Any failure to make such contribution or to duly open the social insurances or housing provident fund accounts by us may directly expose us to penalties imposed by the local authorities and/or legal claims raised by our employees. According to the Social Insurance Law, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. During the Track Record Period and up to the Latest Practicable Date, we have 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 fees or fines on us. In January 2022, we started to make full contributions of social insurance and housing provident fund for employees in compliance with the relevant PRC laws and regulations. Nevertheless, we may be subject to fines and legal sanctions for our historical failure to make social insurance and housing fund contributions in full. During the Track Record Period, we recorded provisions of RMB21.5 million in aggregate for potential economic losses that may arise from our failure to make full contributions to social insurance and housing provident funds.

If we become a target for public scrutiny or subject of any negative publicity, including complaints to regulatory agencies, negative media coverage and public dissemination of malicious reports or accusations about our business, 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.

Since we operate in a highly competitive industry, brand image directly affects 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 prospects may be materially and adversely affected.

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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 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 conditions may suffer.

We may require additional capital to support our business, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business and may require additional funds. In particular, we may seek additional funds to enhance our platform and expand our operations, including our sales and marketing organizations and our presence outside China, improve our infrastructure or acquire complementary businesses, technologies and other assets.

Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to holders of our ordinary shares. Any debt financing that we and our subsidiaries and Consolidated Affiliated Entities may secure in the future could contain restrictive and financial compliance covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. There is no guarantee that we will always comply with such covenants. In the event there is any breach of such covenants in our debt financing agreements, we or our relevant subsidiary or Consolidated Affiliated Entities could be required to repay the outstanding amounts under such agreements and be subject to other claims or liabilities arising out of such breaches, which could result in material adverse impacts to our financial condition and results of operations. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to

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continue to support our business growth, scale our infrastructure, develop product enhancements and to respond to business challenges could be significantly impaired, and our business, operating results and financial condition may be adversely affected.

The determination of the fair value changes and impairment of certain of our assets and liabilities requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty.

We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets and liabilities, including financial assets at fair value through profit or loss, short-term investments, convertible redeemable preferred shares and convertible preferred shares. The fair value change of financial assets at fair value through profit or loss, short-term investments, convertible redeemable preferred shares and redeemable preferred shares may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. For instance, our financial assets at fair value through profit or loss and fair value changes on convertible preferred shares and convertible redeemable preferred shares experienced fluctuations during the Track Record Period. As of December 31, 2020, 2021 and 2022, we recorded financial assets at fair value through profit or loss of RMB6.1 million, RMB211.7 million and RMB427.9 million, respectively. We had fair value changes on convertible redeemable preferred shares of RMB53.1 million, RMB1,326.3 million and RMB64.1 million in 2020, 2021 and 2022, respectively. During the same years, we recorded fair value changes on convertible preferred shares of RMB109.6 million, RMB939.4 million and RMB12.7 million, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong. If we incur losses from such fair value changes, our results of operations, financial condition and prospects may be adversely affected.

We recorded net liabilities during the Track Record Period.

We recorded net liabilities of RMB245.7 million, RMB2,701.4 million and RMB2,434.9 million as of December 31, 2020, 2021 and 2022, respectively. The significant increase of net liabilities from 2020 to 2021 was primarily due to the significant amount of convertible redeemable preferred shares recorded as liabilities. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED], after which we do not expect to recognize any

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further loss or gain on fair value changes from convertible redeemable preferred shares and we will return to a net assets position from a net liabilities position. However, there can be no assurance that we will not experience liquidity problems in the future.

We face risks associated with our investments.

We currently invest a portion of our capital in investments. As of December 31, 2022, our investments mainly consisted of financial assets at fair value through profit or loss including unlisted debt securities, wealth management products, investments in unlisted entities. These investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realize the benefits we expected from these investments may materially and adversely affect our business and financial results.

We had aggregated net fair value losses of RMB8.7 million in 2020 and net fair value gains of RMB6.4 million and RMB2.7 million in 2021 and 2022, respectively, on financial assets at fair value through profit or loss, including investments in unlisted entities, loan receivables, wealth management products, unlisted debt securities and forward contracts. Any change in securities prices and market conditions could lead to volatility in the fair values of our financial assets at fair value through profit or loss, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

We are subject to risks and uncertainties associated with our investments in associates.

We have invested in associated companies and may continue to do so in the future. The performance of such associates has affected, and will continue to affect, our results of operations and financial position. Our investments in associates, recorded as investments accounted for using the equity method, which amounted to RMB8.7 million, RMB46.7 million and RMB42.8 million, respectively, as of December 31, 2020, 2021 and 2022. Our investments in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products as there is no cash flow until dividends are received even if the associates reported profits under the equity method of accounting. Furthermore, our ability to promptly sell one or more of our interests in our associates in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates may significantly limit our ability to respond to adverse changes in the performance of our associates. The success of an associate depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from such associates, such as receiving dividends from them.

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We may face impairment risks in connection with our goodwill and other intangible assets.

In order to expand our operations, we have undertaken acquisition in the past. In practice, many companies acquire other companies and pay a consideration that exceeds the fair value of identifiable fair value of consideration assets and liabilities that the acquired company possesses, the excess of the purchase price over fair value of acquired identifiable assets and liabilities is recorded as a goodwill. The carrying amount of goodwill of our Group was nil, RMB44.8 million and RMB60.2 million as of December 31, 2020, 2021 and 2022, respectively.

If we cannot successfully grow our business and continue developing our monetization channels in order to realize satisfactory returns on our investment and generate sufficient revenue, our financial position, results of operations and equity value may be materially and adversely affected and our goodwill may be impaired.

In addition, as of December 31, 2020, 2021 and 2022, we had intangible assets of RMB243.4 million, RMB355.9 million and RMB342.3 million, respectively, the value of which are based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss, which could in turn adversely affect our financial position and results of operations.

We are subject to credit risk related to defaults of customers, and any significant default on our receivables could materially and adversely affect our liquidity, financial condition and results of operations.

We are exposed to credit risk related to defaults of our customers. As of 2020, 2021 and 2022, our trade receivables amounted to RMB46.8 million, RMB84.8 million and RMB99.1 million, respectively. We may not be able to collect all such trade receivables due to a variety of factors that are beyond our control. As the amount of provisions made on our trade receivables are recorded as expenses on our results of operations, if we are not able to effectively manage the credit risk associated with our trade receivables, our results of operations may be materially and adversely affected.

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

Our business could be adversely affected by natural disasters, health epidemics and other calamities. Our operations will be adversely affected by such events. For example, we could experience server interruptions or failures if the foregoing events occur. Although we have servers that are hosted in an offsite location and implemented backup system to retain our core transaction data, our backup system does not capture data on a real-time basis and we may be unable to recover certain data in the event of a server failure. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons,

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earthquakes, power loss, telecommunications failures, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

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

The global macroeconomic environment is facing challenges. There is uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, as well as regional conflicts. These factors may adversely affect our business, results of operations and financial condition. In addition, continued turbulence in the international finance markets may adversely affect our performance in international capital markets.

We have limited business insurance coverage, 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 impact on our results of operations and financial condition.

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. Any uninsured occurrence may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition.

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

As of the Latest Practicable Date, we leased 31 properties occupying over 11,000 square meters from third parties in China, which are mainly used as our headquarters and office space. Pursuant to the applicable PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, 19 of our leased properties in China had not been registered with the relevant PRC government authorities. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. Therefore, the total potential penalty for the unregistered lease in theory may be up to RMB190,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

RISK FACTORS

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

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

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

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 operations.

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

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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 investors 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 price of the [REDACTED] could be materially and adversely affected.

We rely on assumptions and estimates to calculate certain key operating metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

The numbers of monthly active users and monthly paying users and certain other key operating metrics are calculated using internal company data that has not been independently verified. While these numbers are based on what we believe to be reasonable calculations for the applicable periods 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 our active users, because it may not always be possible to identify people that have set up more than one account. According to the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), the identities of registered users shall be authenticated by the mobile Internet application providers based on real identity information such as mobile phone numbers. Accordingly, we have adopted the real-name registration method for all registered users of our platform based on their mobile phone numbers as permitted by applicable laws and regulations. However, given that a user may use more than one mobile phone number at the same time, we may not always be able to identify users that set up more than one account based on their registered mobile phone numbers. Therefore, the calculations of our active users may not accurately reflect the actual number of people using our platform.

Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in methodology. If customers or platform partners do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and customers and platform partners may be less willing to allocate their resources or spending on our platform, which could negatively affect our business and operating results.

In addition, we also do not verify age or other profile information provided by our users, which may potentially mislead our analysis and understanding of our user profile and therefore affect our ability to track the relevant operating metrics (such as revenue contributions from a specific age group) in order to improve user experience in a targeted manner.

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We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, operating results and financial condition.

We have operations primarily in China but open to users worldwide. As we continue to expand our international operations, we will become increasingly exposed to the effects of fluctuations in currency exchange rates. Although the majority of our cash generated from revenue is denominated in Renminbi, a small amount is denominated in other currencies, and our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations.

The value of the Renminbi against other currencies has in the past fluctuated significantly, and may in the future continue to do so, affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. In 2020, 2021 and 2022, we recorded net foreign exchange gains of RMB11.1 million, RMB4.6 million and RMB17.5 million, respectively. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future.

We are a holding company and we rely on dividends paid by Zhuhai Huanquhui in China for our cash needs. Any significant fluctuation of Renminbi against the other currencies could adversely affect our business, operating results and financial condition, and the value of any dividends payable in other currencies. To the extent that we need to convert other currencies we receive from this [REDACTED] into Renminbi for our operations, appreciation of the Renminbi against such currencies would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into other currencies for the purpose of making payments for dividends on our ordinary shares or for other business purposes, appreciation of such currencies against the Renminbi would have a negative effect on the amount.

Failure to withhold individual income tax as required by PRC regulations may subject us to penalties.

PRC laws and regulations require us to withhold individual income tax on employees' salaries based on the actual salary of each employee upon payment. Our failure in withholding individual tax and in complying with applicable PRC tax laws may subject us to late payment penalties up to ranging from 50% to five times of the amount overdue. With respect to the under-withheld individual income tax, we may be required to make up sufficient withholding and pay late fees and fines. If we are subject to late fees and fines in relation to the failure in withholding individual income tax, our financial condition and results of operations may be affected. During the Track Record Period, we were not subject to any such late fees and fines due to failure to withhold individual income tax.

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RISKS RELATED TO OUR CORPORATE STRUCTURE

If the PRC government deems that the Contractual Arrangements in relation to our Consolidated Affiliated Entities do not comply with PRC regulatory restrictions on foreign investment in 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 of certain businesses is prohibited or restricted under currently effective PRC laws and regulations. Specifically, foreign investors are prohibited from holding equity interest in an entity conducting internet culture activities (except for music) and internet audio-visual program services, and are, subject to China’s WTO commitments, restricted to hold equity interest in an entity conducting value-added telecommunication services (except for e-commerce, domestic multiparty communication, storage-and-forward and call center services) according to the Negative List, which may be amended, supplemented or otherwise modified from time to time. See “Regulations – Regulations Related to Foreign Investment.”

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly foreign-owned enterprise in the PRC is a foreign-invested enterprise, or FIE. To comply with above mentioned restrictions, we conduct our business in China through the Consolidated Affiliated Entities. Zhuhai Huanquhui has entered into a series of contractual arrangements with Guangzhou Quwan, Registered Shareholders and general partners of limited partnership Registered Shareholders, which enable us to (1) exercise effective control over Guangzhou Quwan, (2) receive all of the economic benefits of Guangzhou Quwan and (3) have an exclusive option to purchase all or part of the equity interests and assets in Guangzhou Quwan when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over the Consolidated Affiliated Entities and hence consolidate its financial results of the Consolidated Affiliated Entities. For details, see the section headed “Contractual Arrangements”.

Our PRC Legal Advisor is of the view that save as disclosed in the paragraph headed “Contractual Arrangements – Legality of the Contractual Arrangements”, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, except in relation to the dispute resolution clause. However, our PRC Legal Advisor advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion. If the PRC government otherwise finds 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 governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking our business and operating licenses;

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- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- restricting our right to collect revenue;
- shutting down our services;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and contractual arrangements;
- restricting or prohibiting our use of the proceeds from overseas offering to finance our Consolidated Affiliated Entities’ business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. For details, see the paragraph headed “– Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, and its enactment could adversely affect our business, operating results and financial condition” in this section. Occurrence of any of these events could adversely affect our business, operating results and financial condition. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of the Consolidated Affiliated Entities or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, thus adversely affecting our results of operation.

We rely on Contractual Arrangements with Guangzhou Quwan and the Registered Shareholders to operate our business, which may not be as effective as direct ownership in providing operational control and could adversely affect our business, operating results and financial condition.

We rely on Contractual Arrangements with Guangzhou Quwan and the Registered Shareholders to operate our business in the PRC. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities. If the Consolidated Affiliated Entities or the Registered Shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by the Consolidated Affiliated Entities is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal

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remedies under PRC law including seeking specific performance or injunctive relief, and contractual arrangements. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. For example, in the event that shareholders in Guangzhou Quwan were to refuse to transfer their equity interests in Guangzhou Quwan to us or our designated persons 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 refer to immediate legal actions to compel them to perform their contractual obligations.

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. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. Meanwhile, there are very few precedents and little formal guidance as to how Contractual Arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under PRC law. Significant uncertainties exist regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final and parties cannot appeal arbitration results in court unless such rulings are revoked or determined unenforceable by a competent court. 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 that 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 the Consolidated Affiliated Entities and relevant rights and licenses held by it which we require in order to operate our business, and our ability to conduct our business may be adversely affected. For details, please refer to the paragraph headed “– Risks Related to Doing Business in the PRC – Our business may be adversely affected by changes in regulatory policies, particularly of internet businesses” in this section.

The Registered Shareholders of Guangzhou Quwan may have potential conflicts of interest with us, which could adversely affect our business, operating results and financial condition.

The interests of the shareholders of Guangzhou Quwan in their capacities as such shareholders may differ from the interests of our Company as a whole, as what is in the best interests of our Consolidated Affiliated Entities, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our Company. There can be no assurance that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or those conflicts of interest will be resolved in our favor. In addition, these shareholders may breach or cause Guangzhou Quwan to breach or refuse to renew the existing Contractual Arrangements with us.

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We rely on the shareholders of Guangzhou Quwan to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to the company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of Guangzhou Quwan, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Contractual Arrangements in relation to the Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that the Consolidated Affiliated Entities owe additional taxes, which could adversely affect our business, operating results and financial condition.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm’s-length principles. We may face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements among Zhuhai Huanquhui, Guangzhou Quwan and Registered Shareholders 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, regulations and rules, and adjust their income in the form of a transfer pricing adjustment, which could increase their PRC tax liabilities and our overall tax liabilities. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by Zhuhai Huanquhui or Guangzhou Quwan for PRC tax purposes, which could in turn increase their tax liabilities without reducing their tax expenses. In addition, if Zhuhai Huanquhui requests the shareholders of Guangzhou Quwan to transfer their equity interests in Guangzhou Quwan at nominal or no value pursuant to these Contractual Arrangements, such transfer could be viewed as a gift and subject the relevant subsidiary to PRC income tax. Furthermore, the PRC tax authorities may impose late payment fees and other penalties on Zhuhai Huanquhui and Guangzhou Quwan for adjusted but unpaid taxes according to applicable regulations. Our financial position could be materially and adversely affected if the tax liabilities of our Zhuhai Huanquhui and Guangzhou Quwan increase, or if they are required to pay late payment fees and other penalties.

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We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to the operation of our business if these entities go bankrupt or become subject to a dissolution or liquidation proceeding.

The Consolidated Affiliated Entities hold most of our assets in China. Under the Contractual Arrangements, Guangzhou Quwan may not and its shareholders may not cause it to, in any manner, sell, transfer, mortgage or dispose of its assets or its legal or beneficial interests in the business without our prior consent. However, in the event that the shareholders of Guangzhou Quwan breach these Contractual Arrangements and voluntarily liquidate Guangzhou Quwan, or Guangzhou Quwan declares bankruptcy and all or part of their 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 or otherwise benefit from the assets held by the Consolidated Affiliated Entities, which could adversely affect our business, operating results and financial condition. If any of the Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, Independent Third Party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, operating results and financial condition.

If the custodians or authorized users of our controlling nontangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including agreements and contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the State Administration of Market Supervision. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have three major types of chops – corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, for some important contracts (such as bank loan agreements) and for legal letters. We use contract chops for executing some leases and commercial contracts. We use finance chops generally for making and collecting payments, including issuing invoices. Use of corporate chops and contract chops must be approved by our legal department and administrative department, and use of finance chops must be approved by our finance department. The chops of our subsidiary and the Consolidated Affiliated Entities are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiary and the Consolidated Affiliated Entities have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

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In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiaries and the Consolidated Affiliated Entities, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or the Consolidated Affiliated Entities. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, and its enactment could adversely affect our business, operating results and financial condition.

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) was approved by the National People’s Congress on March 15, 2019 and came into effect on January 1, 2020. The PRC Foreign Investment Law replaces the three laws on foreign investment, namely, the Wholly Foreign-owned Enterprise Law (《外資企業法》), the Sino-foreign Cooperative Joint Venture Law of the PRC (《中外合作經營企業法》) and the Sino-foreign Equity Joint Venture Law of the PRC (《中外合資經營企業法》). The Foreign Investment Law embodies 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. However, there are still uncertainties as to the interpretation and implementation of such legislation. The Foreign Investment Law does not touch upon the relevant concepts and regulatory regimes that were historically suggested relating to the regulating of contractual arrangements. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. On December 26, 2019, the State Council issued the Implementing Regulation of the Foreign Investment Law (《外商投資法實施條例》), (the “Implementation Regulations”), which became effective on January 1, 2020. Pursuant to the Implementation Regulations, in the event of any discrepancy between the Foreign Investment law and the Implementation Regulations and relevant requirements for foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Regulations shall prevail. The Implementation Regulations on the Foreign Investment Law does not stipulate whether contractual arrangements should be deemed as a form of foreign investment. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign

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investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council 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. If the ownership structure, Contractual Arrangements and business of our Company, Zhuhai Huanquhui or Guangzhou Quwan are found to be in violation of any existing or future PRC laws or regulations, or if we fail to obtain or maintain any of the required permits or approvals, 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, corporate governance and business operations. For instance, we may not be able to (1) continue our business in China through our Contractual Arrangements with Guangzhou Quwan, (2) exert effective control over the Consolidated Affiliated Entities or (3) consolidate the financial results of, and receive economic benefits from the Consolidated Affiliated Entities under existing Contractual Arrangements.

In addition, our corporate governance practice may be impacted and our compliance costs could increase if Zhuhai Huanquhui was considered as a FIE under the Foreign Investment Law. For instance, the Foreign Investment Law purports to impose ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Any company found to be noncompliant with these information reporting obligations could potentially be subject to fines or administrative liabilities.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Most of our operating entities are incorporated in China. All of our management reside in China. Almost all of our assets are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice

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of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a court of China is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the U.S., the United Kingdom, or most other western countries. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISKS RELATED TO DOING BUSINESS IN THE PRC

Our business may be adversely affected by changes in regulatory policies, particularly of internet businesses.

A significant portion of our operations are conducted in the PRC and are governed by PRC laws, rules and regulations. Zhuhai Huanquhui and Guangzhou Quwan are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

The Chinese government heavily regulates the internet industry, including relevant market access restrictions and limitations on foreign investment, license and permit requirements for service providers in the internet industry. Since some of the laws, regulations

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and legal requirements with respect to the internet are relatively new and evolving, their interpretation and enforcement involve significant uncertainties. Because the Chinese legal system is based on written statutes, such that prior court decisions can only be cited for reference and have little precedential value, it is in many cases difficult to determine what actions or omissions may result in liabilities. Issues, risks and uncertainties relating to China’s government regulation of the Chinese internet sector include the following:

- We operate our business in China through businesses controlled via Contractual Arrangements versus direct ownership due to restrictions on foreign investment in such businesses.
- Uncertainties relating to the regulation of the internet business in China, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us. The numerous restrictions on acceptable content in China subject us to potential civil and criminal liability, temporary blockage or complete shutdown of our products.

Due to the increasing popularity and use of the internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the internet or other online services covering issues such as user privacy, cybersecurity, data protection, minor protection, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. The adoption of additional laws or regulations may impede the growth of the internet or other online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business. The interpretation and application of existing PRC laws, regulations and policies, the stated positions of relevant PRC government authorities and possible new laws, regulations or policies have created uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business.

Pursuant to the Notice of on Further Strengthening Regulation to Effectively Prevent Online Gaming Additions among Minors (《關於進一步嚴格管理切實防止未成年人沉迷網絡遊戲的通知》), the PRC government limits online gaming time for minors to an hour per day from 8 p.m. to 9 p.m. on Friday, Saturday, Sunday and legal holidays in the PRC starting from September 1, 2021, and all online games are required to be connected to the online game anti-fatigue compliance system and a real-name registration system of the PRC government. In the future, the PRC government may continue to introduce additional restrictions on the online gaming industry in ways that adversely affect our users’ engagement with our platform.

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

The PRC government has adopted certain regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements could result in the revocation of ICP license and other required licenses and the closure of the concerned websites. The website operator may also be held liable for such prohibited information displayed on, retrieved from or linked to such website. In addition, the MIIT has published regulations that subject website operators to potential liability for content included on their websites and for the actions of users and others using their websites, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider, or ISP, to block any internet website maintained outside China in accordance with the relevant PRC laws and regulations. The State Secrecy Bureau, which is directly responsible for the protection of state secrets of the PRC government, is authorized to block any website it deems to be leaking state secrets or failing to meet the relevant regulations relating to the protection of state secrets in the dissemination of online information.

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

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

While participating on our platform, our users may acquire, purchase and accumulate certain virtual assets, such as gifts or certain statuses and privileges. Such virtual assets can be important to users and, in some cases, can be cashed to actual money. However, virtual assets may become lost for various reasons, often through unauthorized use of the account of one user by other users and occasionally through data loss caused by delays in network service, network crashes or hacking activities. Currently, there are uncertainties associated with PRC laws and regulations on virtual assets. As a result, uncertainties still exist as to who the legal owner of

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virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of a platform such as ours would have any liability, whether in contract, tort or otherwise, to users or other interested parties, for loss of such virtual assets. Some recent PRC court judgments ordered certain online platform operators liable for losses of virtual assets by platform users, and have ordered online platform operators to restore the lost virtual items to users or pay damages and losses. In case of a loss of virtual assets, we may be sued by our users and held liable for losses, which may negatively affect our reputation, business, financial condition, results of operations and prospects. We have been involved in virtual items related lawsuits primarily asking for the refund of virtual assets to minors in the past, and we cannot assure you that such lawsuits will not be brought against us again in the future.

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 regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and housing fund 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 strict 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 must 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 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 engage Independent Third Party service providers to provide labor outsourcing services based on our business request (including audio talent service, content monitoring service, customer service, among others) and settle payment of service fees to such third-party service providers. The outsourced personnel involved are not our employees, they are all employees or contract personnel of such third-party service providers, the third-party service providers are obligated to sign labor or service contracts with them, pay them remuneration and make social insurance and housing provident funds contributions for them. Their service fees cover the management fees, the taxes, the human resource costs of those labor outsourcing personnel (including their remuneration, social insurance fees and housing provident funds) and other expenses. If the third-party service providers fail to perform such obligations, they

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need to undertake the liability of breach of contract according to the service agreements we entered into with them. However, we cannot preclude the possibility that these outsourced personnel supplied by third-party service providers may be re-classified as our employees by courts, arbitration tribunals or government agencies. If these outsourced personnel are re-classified as our employees, we will be required to pay them remuneration, make social insurance and housing provident funds contributions for them or provide other benefits, and our labor costs will be increased, which could adversely affect our business and results of operations. In addition, the management of these outsourced staff may be subject to stricter regulatory requirements, and failure to comply with the PRC Labor Contract Law and its implementation rules, as well as other laws and regulations regarding employee benefits, 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 fine. See “– Our business may be negatively affected by the potential obligations to make additional social insurance and housing fund contributions or may be subject to relevant administrative penalties.”

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.

The approval or filing of the China Securities Regulatory Commission, or the CSRC, or other PRC government authorities may be required in connection with this [REDACTED] under a PRC regulation.

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State-Owned Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce, the CSRC, and the State Administration of Foreign Exchange, or SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), (the “M&A Rules”), which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle that is controlled by PRC domestic companies or individuals and that has been formed for the purpose of an overseas listing of securities through acquisitions of PRC domestic companies or assets to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC Legal Advisor, that the CSRC approval currently is not required for this [REDACTED] under the M&A rules, given that: (i) the CSRC has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours are subject to the M&A rules, (ii) Zhuhai Huanquhui was incorporated as a wholly foreign-owned

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enterprise by means of direct investment rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules, and (iii) no explicit provision in the M&A Rules clearly provides that such Rules are applicable to contractual arrangements. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC Legal Advisor does, and hence, we may face regulatory actions or other sanctions from them.

Furthermore, on February 17, 2023, the CSRC promulgated the Trial Measures and five supporting guidelines, which took effect on March 31, 2023. According to the Trial Measures, PRC domestic companies that seek to [REDACTED] and [REDACTED] securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. The Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering by PRC domestic companies: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main places of operations are located in mainland China, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. Given that we meet both of the conditions stated above, we are required to go through the filing procedures with the CSRC with respect to the [REDACTED] and [REDACTED] after the submission of our [REDACTED] to the Stock Exchange. However, given that the Trial Measures was recently promulgated, there remains uncertainties as to its interpretation, application, and enforcement and how it will affect our operations and our future financing. In addition, if we fail to complete the filing procedure or conceal any material fact or falsify any major content in our filing documents, we may be subject to administrative penalties, such as order to rectify, warnings, fines, and shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

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

PRC laws and regulations, such as the M&A Rules, and other relevant rules, established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the Ministry of Commerce be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to a merger control security review. Moreover, the

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Anti-monopoly Law requires that the anti-monopoly law enforcement agency shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In early February 2021, the Antimonopoly Commission of the State Council published the Anti-monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), (the “Platform Economy Antimonopoly Guidelines”), that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition 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》) issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement. On December 19, 2020, the NDRC and the Ministry of Commerce promulgated the Rules on Security Review of Foreign Investment, or Security Review Rules (《外商投資安全審查辦法》), effective from January 18, 2021, which further provide that, when deciding whether a (1) newly establishment of a foreign-invested enterprise; (2) specific merger or acquisition of a domestic enterprise by foreign investors or (3) a foreign investment in other form is subject to a security review by the Security Review Authority, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements of offshore transaction. Factors that the Security Review Authority considers in its review include whether an important industry is involved and whether such foreign investment involves national security. If a business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the relevant regulations to complete any such transaction could be time-consuming, and any required approval process, including approval from the Ministry of Commerce and/or the Security Review Authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners, Zhuhai Huanquhui or Guangzhou Quwan to liability or penalties, limit our ability to inject capital into Zhuhai Huanquhui and Guangzhou Quwan or limit Zhuhai Huanquhui’s and Guangzhou Quwan’s ability to increase their registered capital or distribute profits.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as “SAFE Circular 75” promulgated by SAFE

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on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” Pursuant to SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as change of shareholders of the special purpose vehicle, increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice 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 SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

Mr. Song, Mr. Chen Guangyao and Mr. Qiu Zhizhao, who are PRC residents and indirectly hold Shares in our Company, have completed their SAFE registration in accordance with SAFE Circular 37. We may not be able to know at all times, however, the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners, and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or at all. Any failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners, Zhuhai Huanquhui or Guangzhou Quwan to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to Zhuhai Huanquhui and Guangzhou Quwan and limit Zhuhai Huanquhui’s ability to distribute dividends to our Company. These risks could adversely affect our business, operating results and financial condition.

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Any failure to comply with PRC regulations regarding employee equity 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 equity 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 with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our Company becomes an overseas listed company. As an overseas listed company, we and our directors, executive officers and other employees who are PRC residents and who have been granted options are subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any equity incentive plans of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We are making, and will make efforts to comply with these requirements, but there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject relevant participants in our share incentive plans to fines and legal sanctions and may also limit the ability to make payment under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly foreign owned enterprise in China and limit our wholly foreign owned enterprise’s ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

We may rely on dividends, loans and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our PRC operating subsidiary to make payments to us could adversely affect our ability to conduct our business.

We are a holding company and may rely on dividends, loans and other distributions on equity paid by our principal operating subsidiaries and on remittances from Guangzhou Quwan for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside China and pay our expenses. When Zhuhai Huanquhui or Guangzhou Quwan incurs additional debt, the instruments governing the debt may restrict their ability to pay dividends, make loans or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to Zhuhai Huanquhui and Guangzhou Quwan permit payments of dividends only out of its retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

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Under PRC laws, rules and regulations, Zhuhai Huanquhui and Guangzhou Quwan are required to set aside at least 10% of their net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of their registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, Zhuhai Huanquhui and Guangzhou Quwan are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

Limitations on the ability of Guangzhou Quwan to make remittance to the wholly foreign owned enterprise and on the ability of our subsidiary to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

Discontinuation of the preferential tax treatment available to us in China could adversely affect our business, operating results and financial condition.

Pursuant to a Circular on Enterprise Income Tax Preferential Treatments (《關於企業所得稅若干優惠政策的通知》) issued by the State Administration of Taxation and the Ministry of Finance effective as of February 22, 2008, as partially amended by a Circular on Enterprise Income Tax Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), a qualified software enterprise is eligible to be exempted from income tax for its first two profitable years, followed by a 50% reduction in income tax, to a rate of 12.5%, for the subsequent three years. Guangzhou Quwan, is recognized as a qualified software enterprise and is eligible to be exempted from income tax for 2018 and 2019, followed by a 50% reduction in income tax from 2020 through 2022. In addition, Guangzhou Quwan is qualified as a “high and new technology enterprises strongly supported by the state,” or HNTes, to enjoy a certain preferential income tax benefit under PRC tax laws and regulations. The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), most recently amended on December 29, 2018 and its implementation rules generally impose a uniform income tax rate of 25% on all enterprises, but grant preferential treatment to HNTes, to enjoy a reduced enterprise tax rate of 15%. According to the relevant administrative measures, to qualify as an HNTE, Guangzhou Quwan must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. Pursuant to the PRC law, Guangzhou Quwan may only enjoy one of the foregoing preferential tax treatments. In the event the preferential tax treatment for Guangzhou Quwan is discontinued or is not verified by the local tax authorities, and the affected entity fails to obtain preferential tax treatments based on other qualifications such as Advanced Technology Service

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Enterprise, it will become subject to the standard tax rates and policies, including the PRC enterprise income tax rate of 25%. We cannot assure you that the tax authorities will not, in the future, discontinue our preferential tax treatment, potentially with retroactive effect.

We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the modified Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation (the “SAT”), issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 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 offshore enterprises, regardless of whether they are controlled by PRC enterprises or PRC enterprise groups. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside 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.”

Dividends payable to our foreign investors may become subject to PRC withholding tax and gains on the sale of the [REDACTED] or our ordinary shares by our foreign investors may become subject to PRC tax.

Under the modified Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends paid to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of the [REDACTED] or ordinary shares by such investors is also subject to PRC tax at a current rate of 10% if such gain is regarded as income derived from sources within the PRC. If we are

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deemed a PRC resident enterprise as described in the immediately preceding risk factor, dividends paid on our ordinary shares and the [REDACTED], and any gain realized from the transfer of our ordinary shares or the [REDACTED], may be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of the [REDACTED] or ordinary shares by such investors may be subject to PRC tax at a current rate of 20% (which in the case of dividends may be withheld at source). If we are considered a PRC resident enterprise, any PRC tax liability may be reduced under applicable income tax treaties, but it is unclear whether holders of the [REDACTED] or our ordinary shares would be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of the [REDACTED] or our ordinary shares by such investors, are deemed to be income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in the [REDACTED] or our ordinary shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Bulletin 7, which partially replaced and supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or SAT Circular 698, issued by the SAT on December 10, 2009. Pursuant to this Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect

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transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Bulletin 7 does not apply to transactions of sale of equity securities by investors through a public stock exchange where such equity securities were acquired from a transaction through a public stock exchange (the “public trading safe harbor”). On October 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Circular 37, which was amended and became effective on June 15, 2018, and SAT Circular 698 then was repealed with effect from December 1, 2017. SAT Circular 37 also amends certain provisions in Bulletin 7, but does not touch upon other provisions of Bulletin 7, which remain in full force. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

There is uncertainty as to the application of Bulletin 7 and SAT Circular 37. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore entities or investments. Our company may be subject to filing obligations or taxed if our Company is transferor in such transactions, and may be subject to withholding obligations if our Company is transferee in such transactions under Bulletin 7. For transfer of shares in our Company by investors that are non-PRC resident enterprises that does not qualify for the public trading safe harbor, Zhuhai Huanquhui may be requested to assist in the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 and SAT Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with Bulletin 7 and SAT Circular 37, or to establish that our Company should not be taxed under Bulletin 7 and SAT Circular 37, which could adversely affect our business, operating results and financial condition.

We are subject to restrictions on currency exchange.

A substantial portion of our revenue is denominated in Renminbi. 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 revenues 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

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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 the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. 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 the [REDACTED].

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the [REDACTED] of this [REDACTED] to make loans to Zhuhai Huanquhui and Guangzhou Quwan, or to make additional capital contributions to Zhuhai Huanquhui.

In using the [REDACTED] of this [REDACTED], we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to Zhuhai Huanquhui, which is treated as a foreign-invested enterprise under PRC law, through loans or capital contributions. We may also make loans to our PRC subsidiaries and Guangzhou Quwan and its subsidiaries subject to the filing or registration with governmental authorities and limitation on amount. However, loans by us to Zhuhai Huanquhui or Guangzhou Quwan to finance its activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to Zhuhai Huanquhui is subject to the requirement of making necessary filings or registrations through enterprise registration system with relevant governmental authorities in China.

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 (《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 Circular 19, effective on June 1, 2015, in replacement of former regulations. According to Circular 19, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for the issuance of Renminbi entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that Renminbi 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 the PRC in actual practice. SAFE promulgated the Notice of the State

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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 Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net [REDACTED] from this [REDACTED], to Zhuhai Huanquhui and Guangzhou Quwan, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC. On October 23, 2019, 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》) (the “Circular 28”), which, among other things, allows all foreign-invested companies to use Renminbi converted from foreign currency-denominated capital for equity investments in the PRC, as long as the equity investment is genuine, does not violate applicable laws, and complies with the Negative List. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties. According to the Circular on Optimizing the Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments using the income under their capital accounts generated from their capital, foreign debt and overseas listing, without providing materials evidencing the authenticity in advance; provided that the capital usage is authentic and compliant with the current capital account income usage management regulations. The concerned bank is required to conduct spot checks in accordance with the relevant requirements.

We are not likely to finance the activities of Guangzhou Quwan by means of capital contributions given the potential restrictions on foreign investment in the businesses that are currently conducted by Guangzhou Quwan. 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 governmental filings or registrations on a timely basis, if at all, with respect to future loans to Zhuhai Huanquhui or Guangzhou Quwan or future capital contributions by us to Zhuhai Huanquhui. As a result, uncertainties exist as to our ability to provide prompt financial support to Zhuhai Huanquhui or Guangzhou Quwan when needed. If we fail to complete such filings or registrations, our ability to use foreign currency, including the [REDACTED] we received from this [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.

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RISKS RELATED TO THE [REDACTED]

The interests of our Controlling Shareholders may differ from your interests, and they may exercise their voting power to the disadvantage of our minority Shareholders.

Immediately following the completion of the [REDACTED], our Controlling Shareholders will control [REDACTED] of our total issued share capital (assuming the [REDACTED] is not exercised and no further Shares are issued under the 2020 Plan). Accordingly, the Controlling Shareholders will, for the foreseeable future, through their voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our memorandum and articles of association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of the Controlling Shareholders in the future, the Controlling Shareholders may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority Shareholders could be disadvantaged.

No public market currently exists for the [REDACTED]; the market price for the [REDACTED] may be volatile and an active trading market for the [REDACTED] may not develop, which could result in substantial losses to you.

No public market currently exists for the [REDACTED]. The [REDACTED] may differ significantly from the market price of the [REDACTED] following the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the [REDACTED]. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the [REDACTED] will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the Shares will not decline following the [REDACTED].

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our industry or our Contractual Arrangements;

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- investors’ perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in the market for interest-driven, mobile social network platforms in China;
- changes in the economic performance or market valuations of other interest-driven mobile social network platforms;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares, including, in particular, those by our Controlling Shareholders; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and the securities market has from time to time experienced significant price and volume fluctuations. It is possible that our Shares may be subject to changes in price not directly related to our performance. These market fluctuations may also materially and adversely affect the price of and trading volume of our Shares.

Because the initial [REDACTED] is substantially higher than the [REDACTED] net tangible book value per Share, you will experience immediate and substantial dilution.

If you purchase the [REDACTED] in the [REDACTED], you will pay more for each Share than the corresponding amount paid by existing Shareholders for their Shares. As a result, you will experience immediate and substantial dilution upon purchase of the Shares in the [REDACTED].

Substantial future sales or the expectation of substantial sales of our shares in the public market could cause the market price of our Shares to decline.

Although our Controlling Shareholders are subject to a lock-up after the [REDACTED] as described in “[REDACTED]”, future sales of a significant number of our shares by our Controlling Shareholders in the public market after the expiry of the lock-up period, or the perception that these sales could occur, could cause the market price of our shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our shares.

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We cannot assure you that our Controlling Shareholders will not dispose of shares held by them due to events triggering significant capital needs of our Controlling Shareholders, such as repayment of bank borrowings or other indebtedness, resolution of disputes or legal or administrative proceedings, and any significant investment, merger and acquisition transaction, or enforcement of certain share pledges over the Controlling Shareholders’ interest in our Company, or that we will not issue shares pursuant to the general mandate to issue shares granted to our Directors as described in “Statutory and General Information” in Appendix IV to this Document or otherwise, upon the expiration of restrictions set out above. Substantial sales of shares by our Controlling Shareholders could result in a change of control of our Company. We cannot predict the effect, if any, that any future sales of shares by our Controlling Shareholders, or the availability of shares for sale by our Controlling Shareholders, or the issuance of shares by the Company may have on the market price of the [REDACTED]. Sale or issuance of a substantial amount of shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

We may not declare dividends on our Shares in the future.

The amount of any dividends to be declared or paid on our Shares will depend, in large part, on our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations and will be subject to the approval of our Shareholders, except interim dividends which are not. See the section headed “Financial Information – Dividend and Dividend Policy.” There is no assurance that dividends of any amount will be declared or distributed in any year.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders in the Cayman Islands is different from other jurisdictions, you may have difficulties in protecting your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in other jurisdictions. See “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III.

As a result of all of the above, our minority Shareholders may have difficulties in protecting their interests through actions against our management, Directors or major Shareholders.

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Facts, forecasts and statistics in this Document relating to the PRC economy and our industry may not be fully reliable.

Facts, forecasts and statistics in this Document relating to the PRC, the PRC economy and our industry in China are obtained from various sources, including official government publications that we believe are reliable, as well as from a report prepared by Frost & Sullivan commissioned by us. However, we cannot guarantee the quality or reliability of these sources. Neither we, the [REDACTED], the Joint Sponsors, the [REDACTED] or any other party involved in the [REDACTED] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this Document relating to the PRC, the PRC economy and our industry may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors, some of which are not under our control, and should not be unduly relied upon. Further, there can be no assurances that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

We may need additional capital, and the sale or issue of additional Shares or other equity securities, including pursuant to the 2020 Plan, could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. Furthermore, we may issue Shares pursuant to the exercise of options granted under the 2020 Plan, which would further dilute Shareholders’ interests in our Company. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to serve the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial condition may be materially and adversely affected.

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Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors’ perception of, and demand for, securities of game-centric mobile social platforms;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in value-added telecommunication services in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

There will be a gap of several days between pricing and trading of our Shares, and the price of the [REDACTED] when trading begins could fall during the period before trading of our Shares begins.

The [REDACTED] of the [REDACTED] is expected to be determined on the [REDACTED]. However, the [REDACTED] will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than five business days after the [REDACTED]. As a result, holders of our Shares may not be able to sell or otherwise deal in the [REDACTED] during that period. Accordingly, holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] when trading begins could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. We plan to use the net [REDACTED] from the [REDACTED] to invest in overseas expansion, our product offerings, user growth and new business initiatives to cultivate our social and entertainment ecosystem, for research and development to improve our user experience and strengthen our commercialization capabilities and for other general corporate purposes. For details of our

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intended use of [REDACTED], see “Future Plans and Use of [REDACTED]”. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

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

There may be, subsequent to the date of this Document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Document only and should not rely on any other information.

You should rely solely upon the information contained in this Document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and the [REDACTED].