



Tuya Inc.

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

Stock Code: 2391

GLOBAL OFFERING

Joint Sponsors



BofA SECURITIES



Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Morgan Stanley



Joint Bookrunners and Joint Lead Managers



IMPORTANT

Important: If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.



Tuya Inc.
塗鴉智能*

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering : 7,300,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 730,000 Offer Shares (subject to reallocation)
Number of International Offer Shares : 6,570,000 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Public Offer Price : HK\$22.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value : US\$0.00005 per Offer Share
Stock code : 2391

Joint Sponsors

 **CICC 中金公司**  **BofA SECURITIES**  **Morgan Stanley**
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

 **CICC 中金公司**  **Morgan Stanley**  **BofA SECURITIES**
Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Delivered to the Registrar of Companies" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

We expect to determine the pricing of the Offer Shares by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, June 27, 2022 and, in any event, not later than Monday, July 4, 2022. The Public Offer Price will be not more than HK\$22.80 per Offer Share unless otherwise announced. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares, the Global Offering will not proceed and will lapse. We may set the International Offer Price at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the book-building process. If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will we set the Public Offer Price above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, with the Company's consent, reduce the number of Offer Shares being offered under the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at ir.tuya.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus.

The Company is controlled through weighted voting rights. Prospective investors should be aware of the potential risks of investing in a company with a WVR structure, in particular that the WVR Beneficiaries, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders' resolution. For further information about the risks associated with our WVR structure, please refer to the paragraph headed "Risk Factors – Risks Related to the WVR Structure" in this prospectus. Prospective investors should make the decision to invest in the Company only after due and careful consideration.

The ADSs of the Company, each of which represents one Class A Ordinary Share, are listed for trading on the NYSE under the symbol "TUYA." The last reported sale price of the ADSs on the NYSE on June 17, 2022 (U.S. Eastern Time) was US\$2.25 per ADS. In connection with the Global Offering, we have filed a registration statement on Form F-3 and a preliminary prospectus supplement and plan to file a final prospectus supplement with the SEC to register the sale of Shares under the U.S. Securities Act.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering pursuant to Rule 12.11 of the Listing Rules. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

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

* For identification purpose only

June 22, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at ir.tuya.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

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

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

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

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

IMPORTANT

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Tuya Inc.

(HK\$22.80 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
200	4,605.96	4,000	92,119.16	35,000	806,042.65	160,000	3,684,766.37
400	9,211.92	5,000	115,148.95	40,000	921,191.59	180,000	4,145,362.17
600	13,817.87	6,000	138,178.74	45,000	1,036,340.54	200,000	4,605,957.96
800	18,423.83	7,000	161,208.53	50,000	1,151,489.49	220,000	5,066,553.75
1,000	23,029.79	8,000	184,238.31	60,000	1,381,787.39	240,000	5,527,149.55
1,200	27,635.75	9,000	207,268.11	70,000	1,612,085.28	260,000	5,987,745.35
1,400	32,241.71	10,000	230,297.90	80,000	1,842,383.19	280,000	6,448,341.15
1,600	36,847.65	15,000	345,446.84	90,000	2,072,681.08	300,000	6,908,936.94
1,800	41,453.62	20,000	460,595.79	100,000	2,302,978.98	320,000	7,369,532.73
2,000	46,059.58	25,000	575,744.75	120,000	2,763,574.77	340,000	7,830,128.53
3,000	69,089.37	30,000	690,893.70	140,000	3,224,170.57	365,000 ⁽¹⁾	8,405,873.27

(1) Maximum number of Hong Kong Offer Shares you may apply for.

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

EXPECTED TIMETABLE⁽¹⁾

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

Hong Kong Public Offering commences 9:00 a.m. on
Wednesday, June 22, 2022

Latest time for completing electronic applications under
the **White Form eIPO** service through
the designated website www.eipo.com.hk ⁽²⁾ 11:30 a.m. on
Monday, June 27, 2022

Application lists of the Hong Kong Public Offering open ⁽³⁾ 11:45 a.m. on
Monday, June 27, 2022

Latest time for (a) completing payment for
White Form eIPO applications by effecting
internet banking transfer(s) or PPS payment
transfer(s) and (b) giving **electronic application**
instructions to HKSCC ⁽⁴⁾ 12:00 noon on
Monday, June 27, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close ⁽³⁾ 12:00 noon on
Monday, June 27, 2022

Expected Price Determination Date Monday, June 27, 2022

Announcement of (i) the Public Offer Price and International Offer Price;
(ii) the level of indication of interest in the International Offering;
(iii) the level of applications in the Hong Kong
Public Offering; and (iv) the basis of allocation of
the Hong Kong Offer Shares under the Hong Kong
Public Offering on our Company's website
at ir.tuya.com ⁽⁵⁾ and the website of the Hong Kong
Stock Exchange at www.hkexnews.hk on or before Monday, July 4, 2022

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Stock Exchange at ir.tuya.com⁽⁵⁾ and www.hkexnews.hk, respectivelyMonday, July 4, 2022
- Results of allocation for the Hong Kong Public Offering will be available at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from8:00 a.m. on
Monday, July 4, 2022
to 12:00 midnight on
Sunday, July 10, 2022
- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m.Monday, July 4, 2022
to Thursday, July 7, 2022

Dispatch/collection of refund checks or White Form

e-Refund payment instructions in respect of (i) wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and (ii) wholly or partially unsuccessful application under the Hong Kong Public Offering on or before⁽⁷⁾⁽⁸⁾Monday, July 4, 2022

Dispatch/collection of share certificates or deposit

of share certificates into CCASS in respect of wholly or partially successful application under the Hong Kong Public Offering on or before⁽⁶⁾⁽⁸⁾Monday, July 4, 2022

Dealings in the Class A Ordinary Shares on

the Hong Kong Stock Exchange expected to commence at9:00 a.m. on
Tuesday, July 5, 2022

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal or Extreme Conditions or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 27, 2022, the application lists will not open and close on that day. See “How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists.”
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares – 6. Applying Through CCASS EIPO Service.”
- (5) None of the website or any of the information contained on the website forms part of this document.
- (6) No temporary documents of title will be issued in respect of the Offer Shares. Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Tuesday, July 5, 2022, provided that (1) the Global Offering has become unconditional in all respects and (2) neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade Class A ordinary shares on the basis of publicly available allocation details or prior to the receipt of the share certificates or prior to the share certificates becoming valid do so entirely at their own risk. e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications.
- (7) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Public Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (8) Applicants who have applied on **White Form eIPO** for 100,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, July 4, 2022 or such other date as notified by us as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to “How to Apply for Hong Kong Offer Shares – 14. Dispatch/collection of share certificates/e-refund payment instructions/ refund checks – Personal Collection – If you apply through CCASS EIPO service” for details.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 100,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in “How to Apply for Hong Kong Offer Shares – 13. Refund of application monies” and “How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks”

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

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

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the GREEN Application Form to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the GREEN Application Form must not be relied on by you as having been authorized by the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read the section carefully before you decide to invest in the Offer Shares.

Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

OVERVIEW

IoT refers to the connection of physical objects, or “things,” that are embedded with communication modules, software, and other technologies for the purpose of connecting and exchanging information with other devices and systems over the internet or other communications networks. By connecting a large number of physical objects as well as the people using them to a large, interconnected network, IoT turns everyday things into “smart” connected devices and is transforming way people interact with devices and the broader physical world and is changing the world and creating new business opportunities.

We established the world’s first IoT cloud development platform, according to CIC, which has given us substantial first-mover advantages in the global IoT PaaS space. According to CIC, we established our IoT cloud development platform in May 2015, earlier than our major competitors in the global IoT PaaS Industry. See “Industry Overview – Competitive Analysis of Global IoT PaaS Industry.” Through our IoT cloud development platform, we deliver a variety of offerings. Our IoT Platform as a Service (PaaS) enables brands, OEMs, and developers to develop, launch, manage and monetize smart devices and services. Our Industry Software as a Service (SaaS) offering enables businesses to deploy, connect, and manage large numbers and different types of smart devices. We also offer businesses, developers and end users a diverse range of cloud-based value-added services to improve their ability to develop and manage IoT experiences.

SUMMARY

Through our IoT cloud development platform, we have enabled developers to activate an IoT ecosystem of brands, OEMs, partners and end users to engage and communicate through a broad range of smart devices.

Tuya IoT Cloud Development Platform-enabled Ecosystem



We have cultivated a large and diversified customer base. We had approximately 5,000 and 8,400 customers, respectively, in 2020 and 2021, primarily including brands, OEMs, industry operators and system integrators. For the same periods, our IoT PaaS empowered approximately 2,700 and 4,100 brands, respectively, to develop their smart devices, including leading brands such as Calex, Philips and Schneider Electric. Our IoT PaaS currently enables businesses and developers across over 200 countries and regions globally to develop smart devices in more than 2,200 categories. According to CIC, we ranked the first with a market share of 14.9% in the global market of IoT PaaS for smart home and smart business in terms of revenue in 2021. According to the same source, we were the largest IoT PaaS provider in the global market of IoT PaaS as a subset of the broader IoT industry in terms of the volume of smart devices powered in 2021. For more information about the industries in which we operate, see “Industry Overview.” As of December 31, 2021, there were approximately 388.3 million smart devices powered by Tuya. We are also attracting an increasing number of Industry SaaS customers. We have established a large and active community of over 510,000 registered IoT device and software developers as of December 31, 2021. Smart devices powered by Tuya are available in approximately 120,000 stores all over the world as of the Latest Practicable Date.

SUMMARY

Today, billions of smartphone users run their lives on millions of apps. The mobile internet revolution is made possible by ubiquitous high speed connectivity, local capabilities in computing, storage and networking, and most importantly a software experience that transforms business operations and user interaction. IoT provides the opportunity of connecting every “thing” and every person. This offers a growth opportunity similar to that of the mobile internet. We believe IoT will follow a similar evolution enabled by connectivity, computing, software and software development tools. During this evolution, developers are playing a key role in deciding the services and technologies to be used within their organizations and unlocking the IoT growth opportunity. As developers create more smart devices and IoT services, they need a software platform that enables them to develop efficiently and manage the complexities of the full development cycle.

Traditionally, businesses offered static, disconnected devices that limited their ability to establish and maintain long-term relationships with their end users. We have built an open and cloud-agnostic platform, where developers can create software applications that turn traditional devices into connected and active devices, engage with end users throughout the product lifecycle, and create new revenue opportunities.

Our offerings enable customers across a broad range of industry verticals, such as smart home, smart business, healthcare, education, agriculture, outdoors and sport, and entertainment. Our platform is cloud-agnostic, allowing customers to simultaneously work with multiple public cloud solutions, such as Amazon Web Services, Microsoft Azure and Tencent Cloud, as well as their private cloud infrastructures, with the flexibility to switch among them if needed. Our platform also integrates mainstream third-party technologies, such as Amazon Alexa, Google Assistant and Samsung SmartThings, to make smart devices more intelligent.

Our platform benefits from network effects driven by our ecosystem of developers, businesses, partners and end users. End users of smart devices demand a single interface to interact with various types of devices from different brands – an experience similar to using different apps on one smartphone. Our platform provides an open architecture to connect any device from any brand, while enabling users to manage all devices across brands through a single portal. As a result, we believe that as our platform continues to grow, more brands and OEMs want to join our platform to integrate their devices onto the single user interface through which devices from other brands are connected. These self-reinforcing network effects further increase our brand awareness and generate word-of-mouth referrals, helping us build an extensive, vibrant and increasingly interconnected IoT ecosystem.

We help our customers succeed and benefit from their long-term growth through our consumption-based revenue model as we deploy IoT PaaS on more smart devices developed by our customers. We had 311 premium IoT PaaS customers, defined as IoT PaaS customers who individually contributed more than US\$100,000 of revenue during the immediately preceding 12-month periods, as of December 31, 2021. In 2021, our premium IoT PaaS customers

SUMMARY

contributed approximately 88.6% of our revenues generated from IoT PaaS. Our dollar-based net expansion rate of IoT PaaS was 153% for the trailing 12-month period ended December 31, 2021, indicating strong growth within our existing customer base.

We also provide Industry SaaS to help businesses drive efficiency, cost saving and productivity across verticals, from smart commercial lighting to smart hotel and community. The deployment of our Industry SaaS solutions also enables us to reach and build relationships with a large number of brands, hardware companies and system integrators, which reinforces our network effect and synergies. We have also gained significant traction of Industry SaaS since its launch in late 2019, demonstrated by the fact that over 85% of businesses that became our smart hotel SaaS customers in 2020 renewed their contracts with us in 2021.

Our business has scaled rapidly in recent years. In 2021, we achieved deployment of IoT PaaS of 184.0 million, representing an increase of 57.9% from 116.5 million in 2020. Our revenue increased by 70.0% from US\$105.8 million in 2019 to US\$179.9 million in 2020, and further increased by 67.9% to US\$302.1 million in 2021, representing a CAGR of approximately 69.0% from 2019 to 2021. We generated net losses of US\$70.5 million, US\$66.9 million and US\$175.4 million in 2019, 2020 and 2021, respectively. In 2019, 2020 and 2021, our adjusted loss (non-GAAP financial measure) was US\$65.3 million, US\$57.5 million and US\$109.3 million, respectively. For an explanation of our reason for using adjusted loss, a non-GAAP financial measure, and a reconciliation of adjusted loss (non-GAAP financial measure) to net loss, see “Financial Information – Non-GAAP Financial Measure.”

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our peers.

- Pioneer and Global Leader with Significant First-mover Advantage
- Open and End-to-end IoT Cloud Development Platform
- Differentiated Technology and Data Capabilities
- Thriving Ecosystem with Powerful Network Effects

For a detailed discussion of these strengths, see “Business – Our Competitive Strengths.”

SUMMARY

OUR GROWTH STRATEGIES

We intend to achieve our mission and further solidify our unique position by pursuing the following strategies:

- Extend Our Technology Leadership
- Deepen Our Relationship with Existing Customers
- Acquire New Customers
- Grow and Broaden SaaS Offerings
- Broaden Our Reach by Expanding into New Verticals

For a detailed discussion of these strategies, see “Business – Our Growth Strategies.”

OUR PRODUCT AND SERVICES

We offer our products and services to all key IoT stakeholders. We set out to offer *IoT PaaS* to customers developing smart devices, including brands and their contracted OEMs. Over time, we have extended our offerings to those who use smart devices. We offer *Industry SaaS* to businesses in selected verticals and cloud-based *value-added services* to end users.

SUMMARY

The table below sets forth our offerings of products and services and their respective revenue models:

Offerings	Customers	Description	Business Model
IoT PaaS	Customers <u>developing</u> smart devices (i.e. brands and OEMs, such as home appliance manufacturers)	IoT PaaS provides brands and OEMs with the access to a common software infrastructure and ready-to-use software and development tools that they need to develop, manage and upgrade smart devices.	<ul style="list-style-type: none"> • We adopt a consumption-based revenue model by charging fees to customers (i.e. brands and OEMs) based on the number of “deployment of IoT PaaS,” a term used to refer to smart devices on which our IoT PaaS is deployed (i.e. smart devices developed using our IoT cloud development platform). • We also offer a membership program to our customers that gives them the option to pay a membership fee in exchange for discounts at various levels based on their expected volume of purchases.
Industry SaaS	Business customers <u>using</u> smart devices (e.g. hotel operators looking to manage a large number of smart devices, such as smart curtains and air conditioning, deployed across their properties)	Industry SaaS consists of vertical-focused software solutions (which can be accessed via web-based or mobile portals) enabling businesses across a variety of industries to deploy, connect, and manage large numbers and different types of smart devices.	<ul style="list-style-type: none"> • We charge Industry SaaS customers a basic annual subscription fee that allows them to support a certain number of user accounts initially and in some cases, an incremental fee annually for additional user accounts added to their networks. In some cases we may also charge a one-time project-based fee, particularly for new key-account customers with tailored-made needs.

SUMMARY

Offerings	Customers	Description	Business Model
Value-added services	(i) Business customers <u>developing</u> smart devices (brands and OEMs) and (ii) end-users <u>using</u> smart devices (e.g. individual end-users of smart home appliances)	We offer a variety of (i) cloud-based services to business customers, such as brands and OEMs, that are complementary to IoT PaaS (e.g. Tuya Mall), and (ii) cloud-based services directly to end users (e.g. push messaging and content services).	<ul style="list-style-type: none"> • We charge service fees for the value-added services to brands and OEMs. • We offer services to end-users either for free or for a fee.
Smart Device Distribution	(i) Business customers <u>developing</u> smart devices (e.g. brands) and (ii) those <u>integrating</u> smart devices into their systems or services (e.g. system integrators who integrate various finished smart devices to provide service to hotels)	We offer customers who prefer not to directly deal with multiple OEMs the option to purchase directly from us finished smart devices deployed with IoT PaaS sourced from qualified OEMs. We also provide customers with the access to Tuya Expo, a dedicated business-to-business (B2B) platform connecting brands globally with an extensive network of OEMs.	<ul style="list-style-type: none"> • For customers who purchase finished smart devices from us, we earn the difference between the prices at which the products are sourced and sold. • We currently offer Tuya Expo for free.

SUMMARY

The following table sets forth a breakdown of our revenue by products and services for the years indicated:

	For the year ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
	<i>(in thousands, except for percentages)</i>					
Revenue						
IoT PaaS	76,365	72.2	151,677	84.3	261,360	86.5
Smart device distribution	27,474	26.0	22,071	12.3	22,153	7.3
SaaS and others ⁽¹⁾	1,950	1.8	6,126	3.4	18,563	6.2
Total	105,789	100.0	179,874	100.0	302,076	100.0

Note:

(1) SaaS and others revenue consists of the revenue from our Industry SaaS and value-added services.

Our revenues generated from IoT PaaS have continued to increase over the Track Record Period, mainly driven by increased deployment of IoT PaaS which, in turn, was driven by (i) growth in the stock keeping units (“SKUs”) and categories of products supported by IoT PaaS; (ii) increased sales to existing customers; and (iii) acquisition of new customers. Our revenues generated from smart device distribution decreased by 19.7% from US\$27.5 million in 2019 to US\$22.1 million in 2020 and remained relatively stable in 2021. We have operated our smart device distribution services at a relatively moderate scale, and the changes in the revenues from smart distribution services between historical periods have been primarily due to varying timing and amounts of our customers’ demands and purchases. The continued increase in the revenues generated from SaaS and others over the Track Record Period was primarily driven by (i) an increase in revenues from the Industry SaaS business driven by acquisition of new customers and expanded adoption of Industry SaaS by existing customers, and (ii) an increase in revenues from value-added services we offer to customers.

SUMMARY

The following table sets forth a breakdown of our gross profits and gross margins by products and services for the years indicated.

For the year ended December 31,						
2019		2020		2021		
Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	
US\$	%	US\$	%	US\$	%	
<i>(in thousands, except for percentages)</i>						
Gross profit and gross margin						
IoT PaaS	21,922	28.7	54,433	35.9	110,874	42.4
Smart device distribution	4,386	16.0	2,873	13.0	3,304	14.9
SaaS and others	1,478	75.8	4,631	75.6	13,689	73.7
Total	27,786	26.3	61,937	34.4	127,867	42.3

OUR CUSTOMERS

We define our customers as entities from whom we generate revenues for the products and services we provide. We had approximately 8,400 customers in 2021, primarily including brands, OEMs, industry operators and system integrators. For the same period, our IoT PaaS empowered approximately 4,100 brands to develop their smart devices, including leading brands such as Calex, Philips and Schneider Electric, and had an increasing number of Industry SaaS customers. As we have cultivated a large and diversified customer base across different industry verticals, we believe that none of our customers is material to our total revenue.

OUR SUPPLIERS

Our suppliers primarily include (i) suppliers of the chips to be integrated within modules; (ii) contracted manufacturers who assemble the modules in which edge capabilities of IoT PaaS are embedded; and (iii) public cloud services providers. Our single largest supplier accounted for approximately 29.2%, 13.0% and 25.3%, of our total purchases, respectively, for the years ended December 31, 2019 and 2020 and 2021. Our five largest suppliers in the aggregate accounted for approximately 41.8%, 41.6%, and 42.7% of our total purchases, respectively, for the years ended December 31, 2019, 2020 and 2021. A substantial majority of our suppliers are located in the PRC.

SUMMARY

OUR OPERATIONAL ACHIEVEMENTS

The following tables set out our selected key operating metrics:

	For the year ended December 31,		
	2019	2020	2021
Number of IoT PaaS customers	2,328	3,296	5,527

	For the trailing 12-month period ended December 31,		
	2019	2020	2021
Number of premium IoT PaaS customers	127	188	311

	For the trailing 12-month period ended									
	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
Dollar-based net expansion rate for IoT PaaS ⁽¹⁾	188%	173%	160%	179%	181%	210%	211%	179%	153%	122%
Number of IoT PaaS customers in the cohort ⁽²⁾	468	718	983	1,309	1,525	1,662	1,891	1,946	2,080	2,179
Revenue contribution by the cohort ⁽³⁾	71.2%	79.5%	81.9%	91.7%	91.2%	91.0%	88.2%	86.9%	89.1%	90.2%

Notes:

- (1) To calculate the dollar-based net expansion rate for IoT PaaS for the current period, we first specify a measurement period consisting of the trailing two years from the current period end. Next, we define as our “cohort” the population of IoT PaaS customers for the first year of the measurement period (i.e. those who have placed at least one order for IoT PaaS during that year). We then calculate the dollar-based net expansion rate as the quotient obtained by dividing the IoT PaaS revenues from this cohort in the second year of the measurement period by the IoT PaaS revenue from the same cohort in the first year of such measurement period.
- (2) See footnote (1) above for the definition of “cohort” for a given period.
- (3) Revenue contribution by the cohort for a given period is calculated by dividing the IoT PaaS revenue generated by the cohort in the trailing 12-month period from the period end, by our total IoT PaaS revenue for the same trailing 12-month period. See footnote (1) above for the definition of “cohort” for a given period.

SUMMARY

The numbers of our IoT PaaS customers and premium IoT PaaS customers have grown steadily during the Track Record Period. During this period, we have continued to acquire new customers and expand the purchases of IoT PaaS by existing customers as we were able to deliver quality IoT PaaS and strong value propositions to our customers. Our dollar-based net expansion rate for IoT PaaS has remained higher than 120% for ten consecutive quarters since we began tracking this metric for the trailing 12-month period ended December 31, 2019, demonstrating our strong ability to continue to expand customers' usage of our platform over time and grow revenue generated from existing customers. As a result of the impacts of COVID-19, such as reduced or halted production of OEMs, global supply chain challenges, and our reduced marketing spend due to travel restrictions, the dollar-based net expansion rate for our IoT PaaS decreased from 188% for the trailing 12-month period ended December 31, 2019 to 173% for the trailing 12-month period ended March 31, 2020 and further to 160% for the trailing 12-month period ended June 30, 2020. The dollar-based net expansion rate for our IoT PaaS decreased from 211% for the trailing 12-month period ended June 30, 2021 to 179% for the trailing 12-month period ended September 30, 2021, and further to 153% for the trailing 12-month period ended December 31, 2021 and 122% for the trailing 12-month period ended March 31, 2022, primarily because our customers became more prudent in their purchases in light of the continued global inflations and continued COVID-19 pandemic which have weakened end users' willingness to purchase discretionary consumer products, including IoT devices. The dollar-based net expansion rate for our IoT PaaS is affected by customers' purchase cycles, which could fluctuate from time to time within a year, as well as a number of other factors including but not limited to new product introductions, customer mix, promotional activities, and the amount of customer purchases. As a result, the dollar-based net expansion rate for our IoT PaaS for the trailing 12-month period ended the last day of each quarter is an inherently volatile metric.

As of December 31, 2019, 2020 and 2021, our community of registered IoT device and software developers developed smart devices in over 106,000, 252,000 and 589,000 SKUs, respectively. We define a SKU as a smart device model developed through the registered accounts of a developer on our IoT cloud development platform.

We use number of customers as a key measure in evaluating the performance of our SaaS and others business. The number of our SaaS and others customers increased from approximately 480 in 2019 to approximately 1,500 in 2020, and further to approximately 2,800 in 2021, primarily driven by the rapid expansion of our Industry SaaS business.

SUMMARY

INNOVATIVE COMPANY

We are an innovative company as defined in Paragraph 4.2 of the Stock Exchange's guidance letter HKEX-GL-93-18. We believe our innovativeness is demonstrated by the following:

- *Our success is attributable to our technology innovations as well as our business model and product innovations, which differentiate us from our competitors.*
 - o *Our significant first-mover advantages in delivering an IoT cloud development platform.* We established the world's first IoT cloud development platform, according to CIC. This has given us significant first-mover advantages to quickly attract and build long-term relationships with well-known brands, develop in-depth cooperative relationships with established participants in the industry and continuously optimize our IoT cloud development platform based on customers' feedbacks since early stage of development. Moreover, according to CIC, we are the world's first IoT cloud development platform to provide end-to-end IoT services, which enable brands and OEMs to easily and quickly complete the entire IoT development process at one stop using our IoT cloud development platform. This enables us to increase customer stickiness and build long-term customer relationships and loyalty. According to CIC, we are also the world's first IoT cloud development platform at scale that is cloud-agnostic, a technological capability valued by brands, OEMs and developers who may transfer IoT software, applications and services from one cloud infrastructure to another.
 - o *Proprietary cutting-edge IoT technologies.* We have self-developed cutting-edge IoT technologies, consisting mainly of Things Technology Platform (TTP) and Application Enabling Platform (AEP). TTP and AEP together serve as the bedrock of our IoT cloud development platform and product offerings. With these technologies, developers are able to develop, manage and upgrade smart devices and customize IoT capabilities for their specific user cases, which enables us to build a growing and vibrant network of developers and partners and drive its long-term revenue growth.
 - o *Business model and product innovations.* We believe that our business model and product innovations are demonstrated by the following three key elements: (a) our open, cloud-agnostic and full-stack IoT cloud development platform; (b) IoT offerings with the most comprehensive key features and strong value propositions; and (c) our extensive, vibrant and increasingly interconnected IoT ecosystem.

SUMMARY

- *Research and development is a significant contributor of our value and constitutes a major activity and expense.* In 2019, 2020 and 2021, we incurred US\$52.0 million, US\$77.4 million and US\$174.3 million of research and development expenses, respectively, representing 49.2%, 43.0% and 57.7% of our total revenue, respectively, in the same periods. Our leadership is built by our creative and dedicated teams who are passionate about IoT. As of December 31, 2021, we had 2,561 research and development employees, representing approximately 73.8% of total employees. A majority of our research and development team members have approximately 6.1 years of experience across a significant number of different subject areas such as IoT, industry design, cloud computing, AI and machine learning.
- *Our success is attributable to our intellectual property portfolio.* We have a robust intellectual property portfolio and we believe our patents, know-how, proprietary technologies, trademarks, copyrights, domain names, and similar intellectual property as critical to our success. As of the Latest Practicable Date, we had registered 317 patents, 606 trademarks, 127 copyrights, and 118 domain names in China and overseas.

BUSINESS SUSTAINABILITY

We have incurred operating losses, net losses, adjusted loss (non-GAAP financial measure) and net operating cash outflow throughout the Track Record Period, largely due to our investment in R&D capabilities as we continued to expand our R&D team. As a first mover of IoT cloud development, we have been focused on expanding our IoT cloud development platform, growing our customer base and fostering our developer community, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for the long-term growth with our products and services. Hence, during the Track Record Period, we continued to invest in our research and development capabilities, which is key to optimizing and broadening our offerings for existing customers and attracting new customers. We have also increased our sales and marketing efforts to promote brand awareness, some of which have yielded immediate effects on revenue while others will provide long-term benefits to the overall development of our business over time.

To capitalize on the opportunities presented by the burgeoning IoT PaaS and SaaS markets, we have made strategic decisions to invest in product development, research and development capabilities, and sales and marketing efforts. As a result, our operating expenses increased in absolute amounts during the Track Record Period.

SUMMARY

Going forward, we plan to achieve profitability in the following ways:

- **Growing customer base and engagement.** We believe expanding our customer base and increasing customer and end user engagement is essential to our business development and long-term profitability. To this end, we plan to strengthen our relationship with existing customers and attract more new customers. As part of this initiative, we expect to continue to improve our research and development capabilities to solidify our technology leadership and provide customers with better products and experience.
- **Improving gross profit margin.** Our gross profit margin improved from 26.3% in 2019 to 34.4% in 2020 and further to 42.3% in 2021. Our improved gross profit margin was driven by (i) margin expansion in IoT PaaS, and (ii) optimization in revenue structure with increasing contribution from Industry SaaS which has a relatively high margin profile. We expect to further improve our gross profit margin in the future as we continue to improve gross margin of IoT PaaS and to expand our Industry SaaS business.
- **Enhancing operating leverage.** While we expect to continue to devote significant resources in research and development, we expect research and development expenses as a percentage of our total revenue to decline in the long term, as the associated headcounts and compensation do not grow at the same rate as revenue. We also expect both (i) our sales and marketing expenses as a percentage of total revenue, and (ii) our general and administrative expenses as a percentage of total revenue, to decrease in the long term due to the greater economies of scale driven by our business growth.
- **Improving Operating Cash Flow Position.** We believe that we possess sufficient working capital, including sufficient cash and liquidity assets, to meet our present requirements and for the next 12 months from the date of this prospectus. As of December 31, 2021, we had cash and cash equivalent (including restricted cash) of US\$964.6 million, which is estimated to be sufficient to cover our net operating cash flows in the near term. In the future, we expect our net operating cash outflow to improve as we continue to progress towards profitability. We believe that the Global Offering and other potential external financing sources will provide additional funding to our operation during the time until we achieve profitability and positive net operating cash flow.

For details, see “Business – Business Sustainability.”

SUMMARY

WVR STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

Under the current WVR structure, each Class A Ordinary Share entitles the holder to exercise one vote, and each Class B Ordinary Share currently entitles the holder to exercise fifteen votes, on any resolution tabled at the Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote. Each of Mr. Wang and Mr. Chen, the WVR Beneficiaries, undertakes that they will procure the intermediaries controlled by them to exercise no more than ten votes for each Class B Ordinary Shares before the Articles are formally amended. For details, please refer to the paragraph headed "Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company" in this prospectus.

Immediately upon completion of the Global Offering, assuming (i) the Over-allotment Option is not exercised and (ii) no further Shares are issued under the 2015 Equity Incentive Plan, and without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan, Mr. Wang and Mr. Chen, the WVR Beneficiaries, will be interested in 63,000,000 Class A Ordinary Shares and 79,400,000 Class B Ordinary Shares, representing (a) approximately 24.61% of our issued Shares; (b) approximately 75.34% of the effective voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share; (c) approximately 25.76% of the effective voting rights with respect to shareholder resolutions relating to Reserved Matters, on the basis that each Share entitles the Shareholder to one vote per share; and (d) approximately 67.62% of the effective voting rights, assuming that Class A Ordinary Shares entitle the Shareholder to one vote per share and the exercise of voting rights attached to Class B Ordinary Shares will be capped at ten votes per share. For details, please refer to the paragraph headed "Share Capital – WVR Structure" in this prospectus.

Each of Mr. Wang, Mr. Chen, Mr. Zhou, Tuya Group Inc., Tenet Group, Tenet Vision, Tenet Global, Tenet Smart, Unileo and Valgolden, which are interested in (a) approximately 76.64% of the voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share, (b) approximately 29.66% with respect to shareholder resolutions relating to Reserved Matters, on the basis that each Share entitles the Shareholder to one vote per share and (c) approximately 69.32% of the effective voting rights, assuming that Class A Ordinary Shares entitle the Shareholder to one vote per share and the exercise of voting rights attached to Class B Ordinary Shares will be capped at ten votes per share, will be Controlling Shareholders of our Company after the Listing.

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

SUMMARY

Mr. Wang and Mr. Chen have been integral to the success of our Company. Attributable to his rich experience in elastic cloud computing, Mr. Wang initiated the idea of establishing an IoT platform to replace the traditional device and software development which requires new capabilities to support the design, release, and management of software products. He led the design of the IoT public cloud infrastructure and continuously optimised such infrastructure, which allows our Group to deliver IoT PaaS and makes it possible for end users to connect and control multiple devices of different brands and categories using a single interface built upon our unified IoT cloud development platform. Because of our Group's IoT technology such as AEP supported by the public cloud infrastructure designed by Mr. Wang, customers may significantly accelerate the development process of devices or functionalities and may reduce the time for developing smart devices, mobile applications, mini-programs or voice control functions from months to days. Attributable to his understanding of the technology and operation, his commercial awareness as well as his insight and strategy in exploring the possibility of serving a global audiences of brands and OEMs via a cloud-agnostic platform, Mr. Chen firmly established IoT cloud technology as our Group's technology and product focus and was able to secure the first brand customer for our Group in 2015, which laid a strong foundation for the subsequent business development and expansion of its customers coverage.

Prospective investors are advised to be aware of the potential risks of investing in companies with WVR Structure, in particular the interest of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders' resolutions, irrespective of how other Shareholders vote. Prospective investors should make the decision to invest in our Company only after due and careful consideration. For details about the risks associated with the WVR Structure adopted by our Company, please refer to the paragraph headed "Risk Factors – Risks Related to the WVR Structure" in this prospectus.

ARTICLES OF ASSOCIATION

As we are seeking a dual primary listing as an issuer with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Hong Kong Listing Rules, including Rule 8A.44 of the Listing Rules, which requires our WVR Structure to give force to the requirements of certain rules under Chapter 8A of the Hong Kong Listing Rules by incorporating them into our Articles; and (b) the articles requirements set out in Appendix 3 to the Listing Rules (the "**Listing Rules Articles Requirements**"). Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at the Post-Listing GM. Mr. Wang and Mr. Chen, as the WVR Beneficiaries, and Mr. Zhou will, prior to the Listing, irrevocably undertake to the Company to procure such intermediaries holding the Company's shares as held or controlled by them to be present at the Post-Listing GM (whether in person or by proxy) and at any general meeting that may be convened after the Listing and before the Post-Listing GM, and to vote in favor of the Proposed Resolutions.

SUMMARY

Furthermore, we undertake to, at the Post-Listing GM, seek shareholders' approval to amend our Articles to incorporate the Termination of Special Rights, the Quorum Requirement, the GM Postponement Requirement, the Amendment of Directors' Class Right Related Powers and the Forum Selection Clarification into the Articles. Details of these proposed amendments are set out in the paragraph headed "Waivers and Exemptions – Requirements relating to the Articles of Association of the Company" in this prospectus.

Save for Rules 8A.24(1) and (2), and paragraphs 15 and 16 of Appendix 3 in respect of passing the Proposed Resolutions, and paragraph 14(1) of Appendix 3 to the extent that the Company will not hold an annual general meeting on or before June 30, 2022, we undertake to fully comply with the Unmet Listing Rules Articles Requirements, the Termination of Special Rights, the GM Postponement Requirement, the Amendment of Directors' Class Right Related Powers and the Forum Selection Clarification upon the Listing and before our Articles are formally amended such that immediately upon the Listing, we will be subject to, and will fully comply with, such requirements as if they have already been incorporated into our existing Articles upon the Listing. For further details, please see the paragraphs headed "Waivers and Exemptions – Requirements relating to the Articles of Association of the Company" and "Share Capital – WVR Structure" in this prospectus.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See the section headed "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- We operate in an emerging and evolving market, which may develop differently from or more slowly than we expect. If our market does not grow as we expect, or if we cannot expand our products and services to meet the demands of this market, our revenue may decline, or fail to grow, and we may continue to incur operating losses.
- We have a limited operating history, making it difficult to forecast our future results of operations.
- Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future.
- The markets in which we operate are competitive, and if we do not compete effectively, our business, operating results and financial condition could be harmed.

SUMMARY

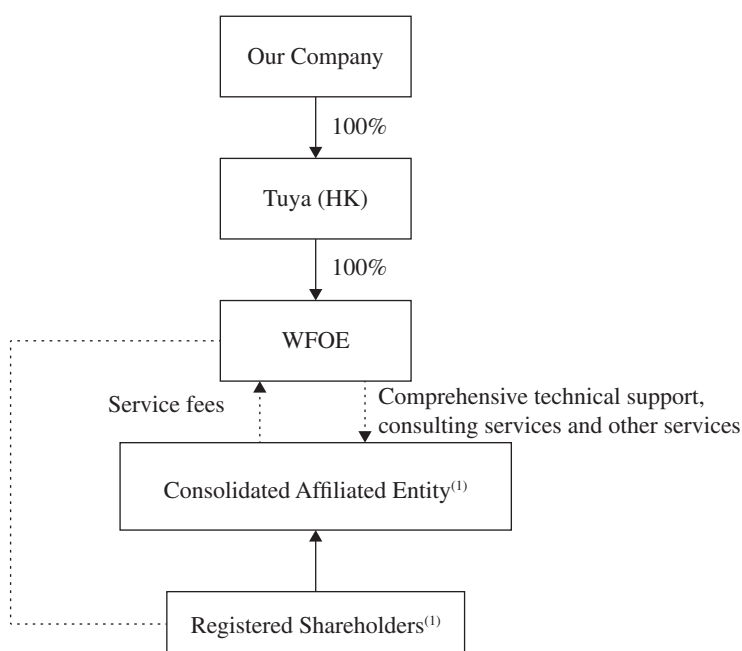
- The success of our business is dependent upon our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our products and services. If we are unable to expand our customer base, or if the use of our products and services by our customers declines, our business may be harmed.
- If we fail to estimate customer demand properly, our financial results could be harmed.
- Compliance with the rapidly evolving landscape of global data privacy and data security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of personal information, could damage our reputation and deter current and potential customers and end users from using our platform and products and services or subject us to significant compliance costs or penalties, which could materially and adversely affect our business, financial condition and results of operations.
- If we are not able to introduce new features or products successfully or to make enhancements to our existing products and services, our business and results of operations could be adversely affected.
- If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the Consolidated Affiliated Entity.
- Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business, financial condition and results of operations.
- Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024, if the PCAOB is unable to inspect or fully investigate auditors located in China, or in 2023, if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

SUMMARY

CONTRACTUAL ARRANGEMENTS

As disclosed in the section headed “Contractual Arrangements” in this prospectus, it is not viable for our Company to hold Hangzhou Tuya Technology directly through equity ownership. Therefore, in order for our Group to effectively control and enjoy the entire economic benefit of Hangzhou Tuya Technology, a series of Contractual Arrangements have been entered into among Tuya Information, Hangzhou Tuya Technology, and the Registered Shareholders. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Hangzhou Tuya Technology in consideration for the services provided by Tuya Information to Hangzhou Tuya Technology; (ii) exercise effective control over Hangzhou Tuya Technology; and (iii) hold an exclusive option to purchase the equity interests and assets in Hangzhou Tuya Technology to the extent permitted by PRC law. For further details, please see the section headed “Contractual Arrangements” in this prospectus.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group under the Contractual Arrangements:



Notes:

- (1) The Consolidated Affiliated Entity is held as to 60.69% by Mr. Wang, 13.10% by Mr. Chen, 11.47% by Mr. Lin Yaona, 9.83% by Mr. Zhou, and 4.91% by Mr. Chen Peihong.
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “--->” denotes contractual relationship.
- (4) “----” denotes the control by WFOE over the Registered Shareholders and our Consolidated Affiliated Entity through (i) powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliated Entity; (ii) exclusive call options to acquire all or part of the equity interests in the Consolidated Affiliated Entity; and (iii) equity interest pledges over the equity interests in the Consolidated Affiliated Entity.

SUMMARY

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprises Law of the PRC (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Foreign Investment Law also stipulates that foreign investment includes investment by foreign investors in China “through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods.” The Implementation Rules are also silent on whether foreign investment includes contractual arrangement. As such, we are advised by our PRC Legal Advisor that the relevant agreements under the Contractual Arrangements do not contravene the Foreign Investment Law in any material respect. However, we are further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. For the risks relating to the Contractual Arrangements, please refer to the paragraph headed “Risk Factors – Risks Related to Our Corporate Structure and the Contractual Arrangements” in this prospectus.

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes, as well as the section headed “Financial Information.” Our consolidated financial information was prepared in accordance with U.S. GAAP.

SUMMARY

Summary Consolidated Statements of Comprehensive Loss

The following table sets forth a summary of our consolidated results of operations in the years indicated:

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Consolidated Statements of Comprehensive Loss:			
Revenue	105,789	179,874	302,076
Cost of revenue	(78,003)	(117,937)	(174,209)
Gross profit	27,786	61,937	127,867
Operating expenses:			
Research and development expenses ⁽¹⁾	(52,003)	(77,430)	(174,289)
Sales and marketing expenses ⁽¹⁾	(37,017)	(37,556)	(75,384)
General and administrative expenses ⁽¹⁾	(12,196)	(17,868)	(71,589)
Other operating (expenses)/incomes, net	(10)	1,071	9,835
Total operating expenses	(101,226)	(131,783)	(311,427)
Loss from operations	(73,440)	(69,846)	(183,560)
Other income/(loss):			
Other non-operating incomes, net	—	—	1,958
Financial income, net	3,326	3,220	7,286
Foreign exchange loss, net	(239)	(80)	(618)
Loss before income tax expense	(70,353)	(66,706)	(174,934)
Income tax expense	(124)	(206)	(490)
Net loss attributable to Tuya Inc.	(70,477)	(66,912)	(175,424)

Note:

(1) Includes share-based compensation expenses as follows:

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Research and development expenses	1,218	2,596	14,542
Sales and marketing expenses	1,109	1,529	6,702
General and administrative expenses	2,893	5,321	44,845
Total	5,220	9,446	66,089

SUMMARY

Non-GAAP Financial Measure

We use adjusted loss, which is a non-GAAP financial measure, in evaluating our operating results and for financial decision-making purposes. Adjusted loss (non-GAAP financial measure) represents net loss excluding share-based compensation expenses, which are non-cash in nature. We believe that adjusted loss (non-GAAP financial measure) provides useful information about our results of operations and enhances the overall understanding of our past performance and future prospects. We believe that such non-GAAP financial measure facilitates comparisons of financial performance from year to year and company to company. We believe that non-GAAP measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.

The use of non-GAAP measures has limitations as an analytical tool. Adjusted loss (non-GAAP financial measure) should not be considered in isolation or construed as an alternative to loss from operations or net loss. Investors are encouraged to review adjusted loss (non-GAAP financial measure) and the reconciliation to its most directly comparable U.S. GAAP measure. Adjusted loss (non-GAAP financial measure) for the years indicated presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

The table below sets forth a reconciliation of our net loss to adjusted loss (non-GAAP financial measure) for the years indicated. Share-based compensation expenses relate to the share-based awards that we grant to employees and directors.

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Net loss for the year	(70,477)	(66,912)	(175,424)
Adjustment:			
Share-based compensation expenses	5,220	9,446	66,089
Adjusted loss (non-GAAP financial measure)	(65,257)	(57,466)	(109,335)

SUMMARY

We incurred net loss of US\$70.5 million, US\$66.9 million and US\$175.4 million and recorded adjusted loss (non-GAAP financial measure) of US\$65.3 million, US\$57.5 million and US\$109.3 million, respectively, in 2019, 2020 and 2021, primarily because we have been focused on expanding our IoT cloud development platform, growing our customer base and fostering our developer community, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for our long-term growth. See “Business – Business Sustainability” for a detailed discussion of our historical loss-making position and path to future profitability. Also see “– Recent Developments – Financial Results for the First Quarter of 2022 – Non-GAAP Financial Measure”.

Consolidated Statements of Financial Position

The following table sets forth our financial position as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Consolidated Balance Sheets:			
ASSETS			
Current assets:			
Cash and cash equivalents	213,258	158,792	963,938
Restricted cash	29	163	638
Short-term investments	16,663	20,976	102,134
Accounts receivable, net	5,351	12,316	32,701
Notes receivable	379	9,126	1,393
Inventories, net	23,019	42,267	62,582
Prepayments and other current assets	8,008	4,393	27,882
Total current assets	266,707	248,033	1,191,268
Non-current assets:			
Property, equipment and software, net	2,840	4,374	6,805
Operating lease right-of-use assets, net	8,658	12,267	22,181
Long-term investments	430	920	26,078
Other non-current assets	769	1,729	1,818
Total non-current assets	12,697	19,290	56,882
Total assets	279,404	267,323	1,248,150

SUMMARY

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Consolidated Balance Sheets:			
Current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiary of 739, 778 and 1,221 as of December 31, 2019, 2020, and 2021, respectively):			
Accounts payable	12,176	23,159	12,212
Advance from customers	14,051	27,078	31,088
Deferred revenue, current	516	3,468	9,254
Accruals and other current liabilities	19,698	31,738	50,847
Income tax payable	155	159	–
Lease liabilities, current	3,763	6,326	5,697
Total current liabilities	50,359	91,928	109,098
Non-current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiary of 33, nil and 38 as of December 31, 2019, 2020 and 2021, respectively):			
Lease liabilities, non-current	5,210	5,688	16,048
Deferred revenue, non-current	261	707	859
Other non-current liability	–	–	8,484
Total non-current liabilities	5,471	6,395	25,391
Total liabilities	55,830	98,323	134,489
Net assets	223,574	169,000	1,113,661
Total mezzanine equity	333,667	333,667	–
Total shareholders' (deficit)/equity	(110,093)	(164,667)	1,113,661
Total liabilities, mezzanine equity and shareholders' (deficit)/equity	279,404	267,323	1,248,150

SUMMARY

Our net assets decreased from US\$223.6 million as of December 31, 2019 to US\$169.0 million as of December 31, 2020, primarily attributable to (i) the net loss of US\$66.9 million recognized in 2020, and (ii) the share-based compensation reserves of US\$9.4 million recognized in 2020. Our net assets increased from US\$169.0 million as of December 31, 2020 to US\$1,113.7 million as of December 31, 2021, primarily attributable to (i) the issuance of ordinary shares in our initial public offering on the NYSE completed in March 2021 and upon the exercise of IPO-related over-allotment option in April 2021, (ii) conversion of redeemable preferred shares of US\$333.7 million upon the completion of our initial public offering on the NYSE completed in March 2021, (iii) issuance of ordinary shares in our pre-IPO financing of US\$200.0 million in February 2021, (iv) the net loss of US\$175.4 million recognized in 2021, and (v) the share-based compensation reserves of US\$66.1 million recognized in 2021.

The following table sets forth our current assets and liabilities as of December 31, 2019, 2020 and 2021:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Total current assets	266,707	248,033	1,191,268
Total current liabilities	50,359	91,928	109,098
Net current assets	216,348	156,105	1,082,170

Our net current assets increased from US\$156.1 million as of December 31, 2020 to US\$1,082.2 million as of December 31, 2021, primarily due to (i) an increase in cash and cash equivalents from US\$158.8 million as of December 31, 2020 to US\$963.9 million as of December 31, 2021, primarily attributable to the proceeds from pre-IPO financing conducted in early 2021, our initial public offering on the NYSE completed in March 2021 and the exercise of IPO-related over-allotment option in April 2021, (ii) an increase in short-term investments from US\$21.0 million as of December 31, 2020 to US\$102.1 million as of December 31, 2021, and (iii) an increase in accounts receivables, net from US\$12.3 million as of December 31, 2020 to US\$32.7 million as of December 31, 2021, primarily driven by our overall business expansion. The increase was partially offset by an increase in accruals and other current liabilities from US\$31.7 million as of December 31, 2020 to US\$50.8 million as of December 31, 2021 mainly driven by our business growth.

SUMMARY

Our net current assets decreased from US\$216.3 million as of December 31, 2019 to US\$156.1 million as of December 31, 2020, primarily due to a decrease in cash and cash equivalents from US\$213.3 million as of December 31, 2019 to US\$158.8 million as of December 31, 2020. The decrease was also due to (i) an increase in advance from customers from US\$14.1 million as of December 31, 2019 to US\$27.1 million as of December 31, 2020, (ii) an increase in accruals and other current liabilities from US\$19.7 million as of December 31, 2019 to US\$31.7 million as of December 31, 2020, and (iii) an increase in accounts payable from US\$12.2 million as of December 31, 2019 to US\$23.2 million as of December 31, 2020, all of which were primarily driven by our overall business growth. The decrease was partially offset by an increase in inventories, net from US\$23.0 million as of December 31, 2019 to US\$42.3 million as of December 31, 2020, which was primarily because we have strategically increased our inventory to support the growth of our IoT PaaS business.

For more details, see “Financial Information – Discussion of Selected Items from the Consolidated Balance Sheets” and “Financial Information – Liquidity and Capital Resources.”

Summary Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows for the years presented:

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Operating cash flows			
before movements in working capital	(60,962)	(51,032)	(94,333)
Change in working capital	4,399	1,821	(31,770)
Net cash used in operating activities	(56,563)	(49,211)	(126,103)
Net cash generated from/(used in)			
investing activities	8,491	(7,852)	(112,957)
Net cash generated from/(used in)			
financing activities	174,230	(172)	1,041,802
Effect of exchange rate changes on cash			
and cash equivalents, restricted cash	(481)	2,903	2,879
Net increase/(decrease) in cash and cash			
equivalents, restricted cash	125,677	(54,332)	805,621
Cash and cash equivalents, restricted			
cash at the beginning of the year	87,610	213,287	158,955
Cash and cash equivalents, restricted			
cash at the end of the year	213,287	158,955	964,576

SUMMARY

We had net operating cash outflows of US\$56.6 million, US\$49.2 million and US\$126.1 million in 2019, 2020 and 2021, respectively, primarily due to our net loss recorded. In 2021, net cash used in operating activities was US\$126.1 million. The difference between our net loss of US\$175.4 million and the net cash used in operating activities was mainly due to (i) share-based compensation of US\$66.1 million, (ii) an increase in accruals and other payables of US\$19.1 million, (iii) amortization of right-of-use assets of US\$7.0 million, and (iv) an increase in deferred revenue of US\$5.9 million, partially offset by (i) an increase in inventories of US\$22.1 million, and (ii) an increase in accounts receivable of US\$23.4 million. In 2020, net cash used in operating activities was US\$49.2 million. The difference between our net loss of US\$66.9 million and the net cash used in operating activities was mainly due to (i) an increase in advance from customers of US\$13.0 million, (ii) an increase in accruals and other payables of US\$11.9 million, (iii) an increase in accounts payables of US\$11.0 million, and (iv) share-based compensation of US\$9.4 million, partially offset by (i) an increase in inventories of US\$19.8 million, (ii) an increase in notes receivable of US\$8.7 million, and (iii) an increase in accounts receivable of US\$7.2 million. In 2019, net cash used in operating activities was US\$56.6 million. The difference between our net loss of US\$70.5 million and the net cash used in operating activities was mainly due to (i) an increase in accruals and other payables of US\$11.8 million, (ii) an increase in accounts payable of US\$7.5 million, (iii) share-based compensation of US\$5.2 million, and (iv) an increase in amortization of right-of-use assets of US\$2.6 million, partially offset by (i) an increase in inventories of US\$11.0 million, (ii) an increase in accounts receivable of US\$4.0 million and (iii) a decrease in operating lease liabilities of US\$2.3 million. For more details, see “Financial Information – Liquidity and Capital Resources – Net Cash Used in Operating Activities.”

In the future, we expect to leverage the following to improve our net operating cash outflow position by taking advantage of (i) our continuous revenue growth fueled by our growing customer base and enhanced customer engagement; (ii) our improved gross profit margin due to IoT PaaS margin expansion and the optimization of our revenue structure; (iii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iv) our working capital improvement strategies. For example, to improve and refine our management of working capital, we will continue to leverage our industry leading position to negotiate for more favourable contractual terms with our customers and suppliers. For more details, see “Business – Business Sustainability.”

Reconciliation Between U.S. GAAP and IFRS

It should be noted that our consolidated financial statements included in this prospectus are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRSs. Classification and measurement of preferred shares, listing expenses, operating leases, share-based compensation and expected credit loss are our material reconciling items.

SUMMARY

The effect of material differences between our historical financial information prepared under U.S. GAAP and IFRS is as follows.

As of December 31, 2019								
Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP							Amounts as reported under IFRSs
	IFRSs adjustments							
	(US\$ in thousands)							
	Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
Operating lease right-of-use assets, net	8,658	-	-	(65)	-	-	-	8,593
Accounts receivable, net	5,351	-	-	-	-	(207)	-	5,144
Notes receivable	379	-	-	-	-	(2)	-	377
Prepayments and other current assets	8,008	-	-	-	-	-	-	8,008
Long-term investments	430	-	-	-	-	-	-	430
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Other non-current assets	769	-	-	-	-	-	-	769
Total assets	279,404	-	-	(65)	-	(209)	-	279,130
Financial liabilities at fair value through profit or loss	-	876,933	-	-	-	-	-	876,933
Total liabilities	55,830	876,933	-	-	-	-	-	932,763
Mezzanine equity	333,667	(333,667)	-	-	-	-	-	-
Accumulated deficit	(125,562)	(565,211)	-	(65)	(2,100)	(209)	-	(693,147)
Accumulated other comprehensive (loss)/income	(2,401)	18,515	-	-	-	-	-	16,114
Additional paid-in capital	17,869	3,430	-	-	2,100	-	-	23,399
Total shareholder's deficit	(110,093)	(543,266)	-	(65)	-	(209)	-	(653,633)

SUMMARY

As of December 31, 2020									
Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs	
		(US\$ in thousands)							
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
Operating lease right-of-use assets, net	12,267	-	-	(180)	-	-	-	12,087	
Accounts receivable, net	12,316	-	-	-	-	(236)	-	12,080	
Notes receivable	9,126	-	-	-	-	(59)	-	9,067	
Prepayments and other current assets	4,393	-	-	-	-	(7)	-	4,386	
Long-term investments	920	-	-	-	-	-	-	920	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	
Other non-current assets	1,729	-	(159)	-	-	-	-	1,570	
Total assets	267,323	-	(159)	(180)	-	(302)	-	266,682	
Financial liabilities at fair value through profit or loss	-	2,893,045	-	-	-	-	-	2,893,045	
Total liabilities	98,323	2,893,045	-	-	-	-	-	2,991,368	
Mezzanine equity	333,667	(333,667)	-	-	-	-	-	-	
Accumulated deficit	(192,474)	(2,582,300)	(159)	(180)	(5,492)	(302)	-	(2,780,907)	
Accumulated other comprehensive income	481	19,492	-	-	-	-	-	19,973	
Additional paid-in capital	27,315	3,430	-	-	5,492	-	-	36,237	
Total shareholder's deficit	(164,667)	(2,559,378)	(159)	(180)	-	(302)	-	(2,724,686)	

SUMMARY

As of December 31, 2021								
Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		(US\$ in thousands)						
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments	
Operating lease right-of-use assets, net	22,181	-	-	(263)	-	-	-	21,918
Accounts receivable, net	32,701	-	-	-	-	(632)	-	32,069
Notes receivable	1,393	-	-	-	-	(49)	-	1,344
Prepayments and other current assets	27,882	-	(2,148)	-	-	(23)	-	25,711
Long-term investments	26,078	-	-	-	-	-	(25,583)	495
Financial assets at fair value through profit or loss	-	-	-	-	-	-	25,583	25,583
Other non-current assets	1,818	-	-	-	-	(24)	-	1,794
Total assets	1,248,150	-	(2,148)	(263)	-	(728)	-	1,245,011
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Total liabilities	134,489	-	-	-	-	-	-	134,489
Mezzanine equity	-	-	-	-	-	-	-	-
Accumulated deficit	(367,898)	(5,513,140)	(5,304)	(263)	(38,815)	(728)	357	(5,925,791)
Accumulated other comprehensive income	2,320	-	-	-	-	-	(357)	1,963
Additional paid-in capital	1,526,140	5,513,140	3,156	-	38,815	-	-	7,081,251
Total shareholder's equity/(deficit)	1,113,661	-	(2,148)	(263)	-	(728)	-	1,110,522

SUMMARY

Year ended December 31, 2019								
Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	(US\$ in thousands)							
	Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
Research and development expenses	(52,003)	–	–	166	(286)	–	–	(52,123)
Sales and marketing expenses	(37,017)	–	–	75	(222)	–	–	(37,164)
General and administrative expenses	(12,196)	(1,938)	–	14	(843)	(88)	–	(15,051)
Other non-operating expenses, net	–	–	–	(63)	–	–	–	(63)
Other losses, net	–	(282,349)	–	–	–	–	–	(282,349)
Financial income/(loss), net	3,326	–	–	(257)	–	–	–	3,069
Net loss	<u>(70,477)</u>	<u>(284,287)</u>	<u>–</u>	<u>(65)</u>	<u>(1,351)</u>	<u>(88)</u>	<u>–</u>	<u>(356,268)</u>
Other comprehensive (loss)/income	<u>(428)</u>	<u>9,547</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,119</u>
Net comprehensive loss	<u>(70,905)</u>	<u>(274,740)</u>	<u>–</u>	<u>(65)</u>	<u>(1,351)</u>	<u>(88)</u>	<u>–</u>	<u>(347,149)</u>

SUMMARY

Year ended December 31, 2020								
Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	(US\$ in thousands)							
	Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
Research and development expenses	(77,430)	–	–	186	(806)	–	–	(78,050)
Sales and marketing expenses	(37,556)	–	–	85	(1,198)	–	–	(38,669)
General and administrative expenses	(17,868)	–	(159)	20	(1,388)	(93)	–	(19,488)
Other non-operating incomes, net	–	–	–	7	–	–	–	7
Other losses, net	–	(2,017,089)	–	–	–	–	–	(2,017,089)
Financial income/(loss), net	3,220	–	–	(413)	–	–	–	2,807
Net loss	(66,912)	(2,017,089)	(159)	(115)	(3,392)	(93)	–	(2,087,760)
Other comprehensive income	2,882	977	–	–	–	–	–	3,859
Net comprehensive loss	(64,030)	(2,016,112)	(159)	(115)	(3,392)	(93)	–	(2,083,901)

SUMMARY

Year ended December 31, 2021								
Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		(US\$ in thousands)						
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments	
Research and development expenses	(174,289)	–	–	394	(7,222)	–	–	(181,117)
Sales and marketing expenses	(75,384)	–	–	147	(3,542)	–	–	(78,779)
General and administrative expenses	(71,589)	–	(5,145)	30	(22,559)	(426)	–	(99,689)
Other non-operating incomes, net	1,958	–	–	96	–	–	–	2,054
Other losses – net	–	(2,950,675)	–	–	–	–	–	(2,950,675)
Financial income/(loss), net	7,286	–	–	(750)	–	–	357	6,893
Net loss	<u>(175,424)</u>	<u>(2,950,675)</u>	<u>(5,145)</u>	<u>(83)</u>	<u>(33,323)</u>	<u>(426)</u>	<u>357</u>	<u>(3,164,719)</u>
Other comprehensive income/(loss)	<u>1,839</u>	<u>343</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(357)</u>	<u>1,825</u>
Net comprehensive loss	<u>(173,585)</u>	<u>(2,950,332)</u>	<u>(5,145)</u>	<u>(83)</u>	<u>(33,323)</u>	<u>(426)</u>	<u>–</u>	<u>(3,162,894)</u>

Please see “Financial Information – Reconciliation between U.S. GAAP and IFRS” for a more detailed discussion of the major differences between U.S. GAAP and IFRSs in the main reconciling items.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The ADSs of our Company, each of which represents one Class A Ordinary Share, were listed and began trading on NYSE under the symbol of “TUYA” on March 18, 2021. We have applied to the Stock Exchange for a dual primary listing of our Company’s Class A Ordinary Shares (as detailed below) on the Stock Exchange as an issuer with WVR Structure under Chapter 8A of the Listing Rules.

SUMMARY

We have accordingly applied to the Stock Exchange for the listing of, and permission to deal in, (i) the Class A Ordinary Shares in issue and to be issued pursuant to the Global Offering (including the additional Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Class A Ordinary Shares to be issued pursuant to the 2015 Equity Incentive Plan; and (iii) the Class A Ordinary Shares that are issuable upon conversion of the Class B Ordinary Shares on a one to one basis. We satisfy the market capitalization/revenue requirements under Rule 8A.06(2) and Rule 8.05(3) of the Listing Rules, with reference to (i) our revenue for 2021 amounted to US\$302.1 million, which exceeded HK\$1 billion; and (ii) our expected market capitalization at the time of Listing, which based on the maximum Public Offer Price of HK\$22.80 per Offer Share, exceeds HK\$10 billion, and in particular, the Directors undertake that our expected market capitalization at the time of Listing, which based on the final Public Offer Price and International Offer Price to be determined on the Price Determination Date, will exceed HK\$10 billion.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$94.5 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering and based upon an indicative offer price of HK\$22.80 per Offer Share for both the Hong Kong Public Offering and the International Offering, and assuming no exercise of the Over-allotment Option.

We plan to use the net proceeds we will receive from the Global Offering for the following purposes:

- Approximately 30% or approximately HK\$28.3 million is expected to be used over the course of the next five years to enhance our IoT technologies and infrastructure.
- Approximately 30% or approximately HK\$28.3 million is expected to be used over the course of the next five years to expand and enhance our product offerings.
- Approximately 15% or approximately HK\$14.2 million is expected to be used over the course of the next five years for marketing and branding activities.
- Approximately 15% or approximately HK\$14.2 million will be used over the course of the next five years to pursue strategic partnerships, investments and acquisitions to implement our long-term growth strategies.
- Approximately 10% or approximately HK\$9.4 million will be used over the course of the next five years for general corporate purposes and working capital needs.

For further details, see the section headed “Future Plans and Use of Proceeds” of this prospectus.

SUMMARY

GLOBAL OFFERING AND OFFERING STATISTICS

Based on the indicative offer price per Offer Share of HK\$22.80 for both the Hong Kong Public Offering and the International Offering

Our market capitalization ⁽¹⁾	HK\$13,190.9 million
Unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share ⁽²⁾	US\$1.89 or HK\$14.84

Notes:

- (1) The calculation of market capitalization is based on 578,546,560 Shares expected to be in issue immediately upon completion of the Global Offering and does not take into account of any allotment and issuance of Class A ordinary shares upon exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company per Share is arrived after the adjustments referred to in “Appendix IIA – Unaudited Pro Forma Financial Information” and on the basis that 563,113,405 Shares were in issue assuming that the Global Offering had been completed on March 31, 2022 (for the purpose of this unaudited pro forma financial information excluding 5,433,895 Class A Ordinary Shares issued for future issuances upon the exercising or vesting of awards granted under the 2015 Equity Incentive Plan and 9,999,260 ADSs repurchased by the Company, representing 9,999,260 Class A Ordinary Shares) but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to 2015 Equity Incentive Plan.

DIVIDEND POLICIES

We have not previously declared or paid any cash dividend or dividend in kind and we have no plan to declare or pay any dividends in the near future on our Shares or the ADSs representing our Class A ordinary shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the Class

SUMMARY

A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. The Company has adopted a policy on payment of dividends taking into account various elements including but not limited to the earnings, cash flow, financial conditions, capital requirements, statutory fund reserve requirements of our Group and any other conditions which the Board may deem relevant.

LISTING EXPENSES

Based on the indicative offer price per Offer Share of HK\$22.80, the total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK\$72.0 million (equivalent to approximately US\$9.2 million), assuming the Over-allotment Option is not exercised. These listing expenses mainly comprise professional fees paid and payable to the professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering. The balance of underwriting related expenses is approximately HK\$18.4 million. The balance of non-underwriting related expenses approximately of HK\$53.6 million primarily includes fees and expenses of legal advisors and accountants of HK\$40.0 million and other fees and expenses.

As of March 31, 2022, HK\$2.7 million had been charged to consolidated statement of comprehensive loss. Assuming the Over-allotment Option is not exercised and based on Offer Price of HK\$22.80 per Offer Share, the Listing expenses (including underwriting commissions) are estimated to be HK\$72.0 million, accounting for 43.2% of our gross proceeds. We estimate that an additional listing expense of HK\$2.1 million is expected to be charged to our consolidated statement of comprehensive loss and HK\$67.2 million is expected to be charged to our equity upon completion of the Global Offering.

RECENT DEVELOPMENTS

We expect to incur an increasing forecast net loss in 2022, as we expect to continue to devote significant resources to research and development activities, continue to incur substantial sales and marketing expenses to acquire and retain customers and enhance our brand awareness, and continue to incur substantial general and administrative expenses including those associated with operating as a public company and the proposed Global Offering. We may not be able to increase our revenue enough to offset the increase in operating expenses resulting from these investments. Additionally, we may not be able to achieve profitability within the next three to five years. See “Risk Factors – Risks Related to Our Business and Industry – We have a history of net loss and net cash operating outflow and may not be able to achieve or sustain profitability in the future.” See “Business – Business Sustainability” for a detailed discussion of our historical loss-making position and path to future profitability.

SUMMARY

Business Developments for the First Quarter of 2022

The following sets forth certain operating metrics for the periods or as of the dates indicated:

- ***Total number of customers.*** In the first quarter of 2022, the total number of customers was approximately 3,900.
- ***Number of IoT PaaS customers.*** In the first quarter of 2022, we had approximately 2,600 IoT PaaS customers.
- ***Number of premium IoT PaaS customers.*** We had 303 premium IoT PaaS customers for the trailing 12-month period ended March 31, 2022. In the first quarter of 2022, our premium IoT PaaS customers contributed approximately 85.6% of IoT PaaS revenue.
- ***Dollar-based net expansion rate for IoT PaaS.*** Our dollar-based net expansion rate for IoT PaaS for the trailing 12 months ended March 31, 2022 remained at a relatively healthy level of 122%, indicating our ability to expand customers' usage of the Tuya platform over time and generate revenue growth from existing customers during such period.
- ***Number of registered IoT device and software developers.*** We had a community of over 582,000 registered IoT device and software developers as of March 31, 2022, representing an increase of 14.1% from approximately 510,000 registered IoT device and software developers as of December 31, 2021.

See “Financial Information – Key Operating Metrics” for more information about how these operating metrics are calculated.

SUMMARY

Financial Results for the First Quarter of 2022

Summary Consolidated Statements of Comprehensive Loss

The table below sets forth our summary unaudited condensed consolidated statements of comprehensive loss for the periods indicated.

	For the three months ended March 31,	
	2021	2022
	<i>(US\$ in thousands)</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	56,868	55,324
Cost of revenue	(33,485)	(32,504)
Gross profit	23,383	22,820
Operating expenses:		
Research and development expenses ⁽¹⁾	(34,709)	(47,588)
Sales and marketing expenses ⁽¹⁾	(16,412)	(15,278)
General and administrative expenses ⁽¹⁾	(16,062)	(18,030)
Other operating incomes, net	2,523	2,594
Total operating expenses	(64,660)	(78,302)
Loss from operations	(41,277)	(55,482)
Other income/(loss)		
Other non-operating incomes, net	–	653
Financial income, net	1,095	121
Foreign exchange loss, net	(325)	(101)
Loss before income tax expense	(40,507)	(54,809)
Income tax expense	(26)	(144)
Net loss	(40,533)	(54,953)
Net loss attributable to Tuya Inc.	(40,533)	(54,953)
Net loss attributable to ordinary shareholders	(40,533)	(54,953)
Net loss	(40,533)	(54,953)
Other comprehensive (loss)/income		
Foreign currency translation	(371)	649
Total comprehensive loss attributable to Tuya Inc.	(40,904)	(54,304)

SUMMARY

Note:

(1) Includes share-based compensation expenses as follows:

	For the three months ended March 31,	
	2021	2022
	<i>(US\$ in thousands)</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Research and development expenses	3,845	4,130
Sales and marketing expenses	2,139	1,653
General and administrative expenses	10,798	11,873
Total	16,782	17,656

Non-GAAP Financial Measure

Adjusted loss (non-GAAP financial measure) represents net loss excluding share-based compensation expenses, which are non-cash in nature. The table below sets forth a reconciliation of our net loss to adjusted loss (non-GAAP financial measure) for the periods indicated. Share-based compensation expenses relate to the share-based awards that we grant to employees and directors. For details, see “– Summary of Key Financial Information – Non-GAAP Financial Measure.”

	For the three months ended March 31,	
	2021	2022
	<i>(US\$ in thousands)</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss	(40,533)	(54,953)
Adjustment:		
Share-based compensation expenses	16,782	17,656
Adjusted loss (non-GAAP financial measure)	(23,751)	(37,297)

We recorded adjusted loss (non-GAAP financial measure) of US\$23.8 million and US\$37.3 million, respectively, in the first quarter of 2021 and 2022, primarily because we have been focused on expanding our IoT cloud development platform, growing our customer base and fostering our developer community, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for our long-term growth. See “Business – Business Sustainability” for a detailed discussion of our historical loss-making position and path to future profitability.

SUMMARY

Revenue

The following table sets forth a breakdown of our revenue by products and services for the periods indicated.

	For the three months ended March 31,	
	2021	2022
	<i>(US\$ in thousands)</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
IoT PaaS	49,778	41,774
Smart device distribution	4,758	7,797
SaaS and others	2,332	5,753
	56,868	55,324

Total revenue slightly decreased by 2.7% from US\$56.9 million in the first quarter of 2021 to US\$55.3 million in the same period of 2022, mainly due to the decrease in IoT PaaS revenue, partially offset by the increases in SaaS and others revenue and smart device distribution revenue.

- IoT PaaS revenue decreased by 16.1% from US\$49.8 million in the first quarter of 2021 to US\$41.8 million in the same period of 2022, primarily because our customers became more prudent in their purchases in light of the continued global inflations which weakened the willingness to purchase discretionary consumer products as well as the purchase power of end users. The decrease was also due to the preventive measures taken across multiple regions in China against recurrence of COVID-19 outbreak, which has affected our selling and operating activities, including our delivery and the acceptance by customers of our products.
- SaaS and others revenue increased by 146.7% from US\$2.3 million in the first quarter of 2021 to US\$5.8 million in the same period of 2022, maintaining a robust growth momentum. The growth was mainly driven by (i) an increase in revenues from the Industry SaaS business driven by acquisition of new customers and expanded deployment of Industry SaaS by existing customers, and (ii) an increase in revenues from value-added services that we offer to customers.
- Smart device distribution revenue increased by 63.9% from US\$4.8 million in the first quarter of 2021 to US\$7.8 million in the same period of 2022. We offer smart device distribution services mainly to save customers, primarily brands and system integrators who purchase finished smart devices, from dealing with multiple OEMs. Changes in our smart distribution revenues between periods are primarily due to the varying timing and amounts of customer demands and purchases.

SUMMARY

Cost of revenue

Our cost of revenue slightly decreased by 2.9% from US\$33.5 million in the first quarter of 2021 to US\$32.5 million in the same period of 2022, in line with the decrease of our total revenue.

Gross profit and gross margin

Our gross profit decreased by 2.4% from US\$23.4 million in the first quarter of 2021 to US\$22.8 million in the same period of 2022. Our gross margin was 41.1% and 41.2% in the first quarter of 2021 and 2022, respectively.

- IoT PaaS gross margin increased from 41.7% in the first quarter of 2021 to 42.3% in the same period of 2022 and remained relatively stable over the past quarters, primarily due to our effective implementation of pricing and cost management and efficiency improvement initiatives.
- SaaS and others gross margin was 75.1% and 77.1% in the first quarter of 2021 and 2022, respectively.
- Smart device distribution gross margin was 18.6% and 9.1% in the first quarter of 2021 and 2022, respectively. The change in smart device distribution gross margin was mainly due to normal fluctuations caused by different customer mix, as margin profiles vary across our smart device customers, and variable timing and amount of customer purchases.

Research and development expenses

Research and development expenses increased by 37.1% from US\$34.7 million in the first quarter of 2021 to US\$47.6 million in the same period of 2022, primarily due to (i) the increase in share-based compensation expenses from US\$3.8 million in the first quarter of 2021 to US\$4.1 million in the same period of 2022, (ii) the increase in employee-related costs due to the addition of experienced research and development personnel and (iii) the increase in cloud infrastructure expenses.

Sales and marketing expenses

Our sales and marketing expenses decreased by 6.9% from US\$16.4 million in the first quarter of 2021 to US\$15.3 million in the same period of 2022, primarily due to (i) the decrease in share-based compensation expenses from US\$2.1 million in the first quarter of 2021 to US\$1.7 million in the same period of 2022 and (ii) the decrease in our marketing spending due to the recurrence of the COVID-19 outbreak.

SUMMARY

General and administrative expenses

Our general and administrative expenses increased by 12.3% from US\$16.1 million in the first quarter of 2021 to US\$18.0 million in the same period of 2022, primarily due to (i) the increase in share-based compensation expenses from US\$10.8 million in the first quarter of 2021 to US\$11.9 million in the same period of 2022, and (ii) the increase in employee-related costs.

Other operating incomes, net

Our other operating incomes, net, in the first quarter of 2022 were US\$2.6 million, primarily due to the receipt of software value-added tax refund and various general subsidies for enterprises.

Other income

We generated other income of US\$0.8 million and US\$0.7 million in the first quarter of 2021 and 2022, respectively.

Income tax expense

We had an income tax expense of US\$26 thousand and US\$144 thousand in the first quarter of 2021 and 2022, respectively.

Net loss

As a result of the foregoing, we recorded net loss of US\$40.5 million and US\$55.0 million in the first quarter of 2021 and 2022, respectively.

SUMMARY

Net current assets and liabilities

The table below sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31, 2021	As of March 31, 2022
	<i>(US\$ in thousands)</i>	
	<i>(Unaudited)</i>	
Current assets		
Cash and cash equivalents	963,938	743,709
Restricted cash	638	1,129
Short-term investments	102,134	240,451
Accounts receivable, net	32,701	29,874
Notes receivable	1,393	2,659
Inventories, net	62,582	65,153
Prepayments and other current assets	27,882	23,883
Total current assets	1,191,268	1,106,858
Current Liabilities		
Accounts payable	12,212	10,327
Advance from customers	31,088	31,736
Deferred revenue, current	9,254	8,474
Accruals and other current liabilities	50,847	31,707
Lease liabilities, current	5,697	5,607
Total current liabilities	109,098	87,851
Net current assets	1,082,170	1,019,007

SUMMARY

Our net current assets decreased from US\$1,082.2 million as of December 31, 2021 to US\$1,019.0 million as of March 31, 2022, primarily due to (i) a decrease in cash and cash equivalents from US\$963.9 million as of December 31, 2021 to US\$734.7 million as of March 31, 2022, mainly due to increases in employee-related and other operating expenses and payments we made for repurchases of ADSs from the public market (the “**Share Repurchase**”) in the first quarter of 2022, (ii) a decrease in prepayments and other current assets from US\$27.9 million as of December 31, 2021 to US\$23.9 million as of March 31, 2022, mainly due to a decrease in the prepayment for Share Repurchase. The decrease was partially offset by (i) an increase in short-term investments from US\$102.1 million as of December 31, 2021 to US\$240.5 million as of March 31, 2022, mainly due to an increase in time deposits with relatively high interest rate, which were placed in accordance with our cash management strategy, and (ii) a decrease in accrual and other current liabilities from US\$50.8 million as of December 31, 2021 to US\$31.7 million as of March 31, 2022, mainly due to a decrease in salary and welfare payable, resulting primarily from a reduction in R&D headcounts as part of our strategy to optimize our R&D team, to mitigate the impacts of, and uncertainties around the COVID-19 pandemic, and a decrease in advertising and promotion fee payables, in line with our reduced marketing spending due to the recurrence of the COVID-19 outbreak.

Net cash used in operating activities

Our net cash used in operating activities in the first quarter of 2022 was US\$57.4 million, or 103.7% as a percentage of our revenue in the same period, compared to US\$32.7 million for the first quarter of 2021, or 57.4% as a percentage of our revenue in the same period. The year-over-year increase in net cash used in operating activities was mainly due to the increase in employee-related expenses and working capital changes in the ordinary course of business.

SUMMARY

Reconciliation between U.S. GAAP and IFRS

It should be noted that our consolidated financial statements for the first quarter of 2022 are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRSs. Classification and measurement of preferred shares, listing expenses, operating leases, share-based compensation and expected credit loss are our material reconciling items. The effect of material differences between our historical financial information prepared under U.S. GAAP and IFRS is as follows.

Three months ended March 31, 2021 (Unaudited)							
Condensed consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments					Amounts as reported under IFRSs
		<i>(US\$ in thousands)</i>					
		<i>Classification and measurement of preferred shares</i>	<i>Listing expenses</i>	<i>Operating leases</i>	<i>Share-based compensation</i>	<i>Expected credit loss</i>	
Research and development expenses	(34,709)	–	–	63	(1,206)	–	(35,852)
Sales and marketing expenses	(16,412)	–	–	40	(459)	–	(16,831)
General and administrative expenses	(16,062)	–	(2,997)	7	(5,209)	171	(24,090)
Other non-operating incomes, net	–	–	–	–	–	–	–
Other losses – net	–	(2,950,675)	–	–	–	–	(2,950,675)
Financial income, net	1,095	–	–	(139)	–	–	956
Net loss	(40,533)	(2,950,675)	(2,997)	(29)	(6,874)	171	(3,000,937)
Other comprehensive (loss)/income	(371)	343	–	–	–	–	(28)
Net comprehensive loss	(40,904)	(2,950,332)	(2,997)	(29)	(6,874)	171	(3,000,965)

SUMMARY

Three months ended March 31, 2022 (Unaudited)

Condensed consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs	
		(US\$ in thousands)							
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
Research and development expenses	(47,588)	–	–	59	(1,080)	–	–	(48,609)	
Sales and marketing expenses	(15,278)	–	–	5	(279)	–	–	(15,552)	
General and administrative expenses	(18,030)	–	(1,794)	1	(4,796)	(172)	–	(24,791)	
Other non-operating incomes, net	653	–	–	91	–	–	–	744	
Other losses – net	–	–	–	–	–	–	–	–	
Financial income, net	121	–	–	(250)	–	–	–	(129)	
Net loss	(54,953)	–	(1,794)	(94)	(6,155)	(172)	–	(63,168)	
Other comprehensive (loss)/income	649	–	–	–	–	–	–	649	
Net comprehensive loss	(54,304)	–	(1,794)	(94)	(6,155)	(172)	–	(62,519)	

SUMMARY

As of March 31, 2022 (Unaudited)								
Condensed consolidated Balance Sheet data	Amounts as reported under	IFRSs adjustments						Amounts as reported under
	U.S. GAAP							IFRSs
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
		<i>Classification and measurement of preferred shares</i>	<i>Listing expenses</i>	<i>Operating leases</i>	<i>Share-based compensation</i>	<i>Expected credit loss</i>	<i>Long-term investments</i>	
Operating lease right- of-use assets, net	19,491	–	–	(357)	–	–	–	19,134
Accounts receivable, net	29,874	–	–	–	–	(809)	–	29,065
Notes receivable	2,659	–	–	–	–	(54)	–	2,605
Prepayments and other current assets	23,883	–	(3,942)	–	–	(17)	–	19,924
Other non-current assets	1,789	–	–	–	–	(20)	–	1,769
Long-term investments	27,714	–	–	–	–	–	(27,217)	497
Financial assets at fair value through profit or loss	–	–	–	–	–	–	27,217	27,217
Total assets	1,162,217	–	(3,942)	(357)	–	(900)	–	1,157,018
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–
Total liabilities	110,150	–	–	–	–	–	–	110,150
Accumulated deficit	(422,851)	(5,513,140)	(7,098)	(357)	(44,970)	(900)	357	(5,988,959)
Accumulated other comprehensive income	2,969	–	–	–	–	–	(357)	2,612
Additional paid-in capital	1,538,155	5,513,140	3,156	–	44,970	–	–	7,099,421
Total shareholder's equity	1,052,067	–	(3,942)	(357)	–	(900)	–	1,046,868

SUMMARY

Impacts of COVID-19

The COVID-19 pandemic, including the recent emergence of the Omicron variant globally, has caused temporary disruption to our business operations. For example, in the first quarter of 2020, we experienced a decline in demand for IoT PaaS due to reduced production capacity of OEMs as COVID-19 containment measures were widely introduced across China, where substantially all of them were located, which adversely affected our results of operations in that quarter. In the first quarter of 2022, heightened preventive measures taken across multiple regions in China in response to the recent recurrence of the COVID-19 outbreak have negatively affected our sales and operations, including delays in placed orders, as well as the delivery and acceptance by customers of our products. IoT PaaS revenue in the first quarter of 2022 decreased by 16.1% to US\$41.8 million from US\$49.8 million in the same period of 2021, in part due to such impact of COVID-19. The pandemic has also caused significant logistical challenges to the global supply chains, resulting in disrupted shipping lanes, labor and material shortage and weakened consumer demand for smart devices, all of which have negatively impacted our business and results of operations. Due to the impacts of COVID-19, including reduced or halted production of OEMs, global supply chain challenges, and our reduced marketing spend due to travel restrictions, the dollar-based net expansion rate for our IoT PaaS decreased from 188% for the trailing 12-month period ended December 31, 2019 to 173% for the trailing 12-month period ended March 31, 2020 and further to 160% for the trailing 12-month period ended June 30, 2020. The pandemic has also contributed to the decline in our dollar-based net expansion rate for our IoT PaaS from 211% for the trailing 12-month period ended June 30, 2021 to 179% for the trailing 12-month period ended September 30, 2021, and further to 153% for the trailing 12-month period ended December 31, 2021 and 122% for the trailing 12-month period ended March 31, 2022. See “Financial Information – Key Operating Metrics.” Additionally, the travel restrictions and social distancing guidelines imposed by governments globally have reduced international travels and in-person meetings, which in turn limited our ability to engage in in-person marketing with brands, particularly those brands based in the U.S. and Europe. There remain significant uncertainties associated with the COVID-19 pandemic, including with respect to the ultimate spread of the virus, the severity of the disease, the duration of the pandemic and further actions that may be taken by government authorities around the world to contain the virus or to treat its impact, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See “Risk Factors – Risks Related to Our Business and Industry – The COVID-19 pandemic has disrupted our and our business partners’ operations and it, or any future health epidemic or other adverse public health developments, may continue to do so.”

As of the date of this prospectus, we have received various COVID-19 related government support and subsidies. These government support and subsidies include a reduction granted by the PRC government of approximately RMB36.4 million in our contributions to our employees’ social security scheme and subsidies of approximately US\$0.1 million provided to our U.S. and Hong Kong subsidiaries by the respective local governments.

SUMMARY

Despite its temporary impacts on our business and results of operations, we believe COVID-19 has brought positive changes for the IoT sector in the long term. The value of software-enabled IoT experience and the connectivity, convenience and efficiency that it enables is heightened throughout the pandemic. People's interactions with IoT devices have increased as they continue to work, learn, and play from home. Businesses and organizations are increasingly relying on IoT technologies to perform tasks that can be no longer handled manually due to COVID-19 related restrictions and closures. We expect this trend to continue post-pandemic, driving demand for quality IoT products and services in the long run. To capture this growth opportunity, we intend to continue to invest in growing our customer, developer and partner bases, broadening our product offerings, and expanding our brand awareness.

Recent Regulatory Developments

Overseas Listing

On December 24, 2021, the CSRC published the draft Regulations of the State Council on the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Administrative Provisions**”) and the draft Measures for the Record-Filing of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Filing Measures**”) for public comments. Pursuant to these drafts, “PRC domestic companies” that seek to directly or indirectly issue or list their securities overseas shall file with CSRC certain required documents and “PRC domestic companies” are defined to include both (i) PRC companies limited by shares, and (ii) offshore-incorporated companies whose main business operations are in China that seek issuance of shares and listing overseas based on their onshore equity, assets or similar interests. More specifically, a “PRC domestic company” that seeks an initial public offering overseas, or a “PRC domestic company” already listed overseas who seeks to list its securities in another overseas market, shall file the required documents with CSRC within three (3) business days after submitting the application documents for the foregoing transactions. As of the date of this prospectus, it remains uncertain when the final Administrative Provisions and Filing Measures will be adopted and whether they will be adopted in the current draft form. If the Administrative Provisions and Filing Measures are adopted in the current form, we may be required to file the relevant documents with the CSRC regarding this Global Offering, which could take up to 20 business days for the CSRC to review and approve after the submission of all required documents. Assuming that the Administrative Provisions and the Filing Measures subsequently come into effect in accordance with the current draft version, as advised by our PRC Legal Advisor, we do not foresee any material impediment to comply with the Administrative Provisions and the Filing Measures in all material aspects as of the Latest Practicable Date for the following reasons: (i) we do not fall within any of the circumstances specified in Article 7 of the Administrative Provisions in which overseas issuance and listing are prohibited, (ii) the Contractual Arrangements that we adopt do not contravene the Administrative Provisions and the Filing Measures in any material aspect, and (iii) there have not been any material non-compliance incidents discovered in relation to our business

SUMMARY

operation, foreign investment, industry regulation, and data security in all material aspects under the PRC laws. For more information, see “Risk Factors – The filing, approval or other administration requirements of the CSRC, the CAC or other PRC government authorities may be required in connection with the Global Offering under PRC law” and “Regulations – Regulation Relating to M&A and Overseas Listing.”

Cybersecurity Review

On December 28, 2021, the CAC and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which became effective on February 15, 2022. The Cybersecurity Review Measures provide that (i) a “network platform operator” holding over one million users’ personal information shall apply for a cybersecurity review when listing their securities “in a foreign country”, (ii) a CHIO that intends to purchase internet products and services that affect or may affect national security shall apply for a cybersecurity review, and (iii) a “network platform operator” carrying out data processing activities that affect or may affect national security shall apply for a cybersecurity review. Given that (i) the Cybersecurity Review Measures, the Draft Cyber Data Security Regulation and the other relevant PRC laws and regulations currently have not provided any specific definition or standard of the “network platform operator”; and (ii) a listing in Hong Kong sought by a “network platform operator” which holds over one million users’ personal information will not be deemed as “listing in a foreign country”, as advised by our PRC Legal Advisor, although there is possibility that we could be classified as a “network platform operator” which holds over one million users’ personal information, our proposed listing in Hong Kong will not be subject to the voluntary application for cybersecurity review under the Cybersecurity Review Measures. However, since the Cybersecurity Review Measures are relatively new, significant uncertainties exist in relation to their interpretation and implementation. Additionally, the Cybersecurity Review Measures do not provide the exact scope of “network platform operator” or the circumstances that would “affect or may affect national security.” There can be no assurance that we will not be required to apply for a cybersecurity review pursuant to the Cybersecurity Review Measures. To the extent any cybersecurity review is required, we cannot assure you that we will be able to complete it in a timely manner, or at all.

In addition, on November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”). The Draft Cyber Data Security Regulation differentiates “listing in Hong Kong” from “listing in a foreign country”. The Draft Cyber Data Security Regulation has not been officially enacted as of the date of this prospectus. According to the Draft Cyber Data Security Regulation, data processors shall apply for a cybersecurity review when carrying out the following activities: (i) the merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affect or may affect national security; (ii) data processors that handle personal information of more than one million people contemplating to list its securities on a “foreign” stock exchange; (iii) data processors contemplating to list its securities on a stock exchange in

SUMMARY

Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. According to the PRC National Security Law (中華人民共和國國家安全法), “national security” refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state are relatively not in danger and not threatened internally or externally and the ability to maintain a sustained security status. However, the criteria for determining the circumstances that “affect or may affect national security” for the purpose of the Draft Cyber Data Security Regulation remain unclear and are subject to further clarification by the CAC. It also remains uncertain when the Draft Cyber Data Security Regulation will be adopted and become effective and whether it will be adopted in the current draft form. Therefore, it is uncertain whether we would be required to apply for a cybersecurity review for our listing in Hong Kong pursuant to the Draft Cyber Data Security Regulation when it is officially adopted. It also remains uncertain whether future regulatory changes would impose additional restrictions on us. We cannot predict the impact of the Draft Cyber Data Security Regulation, if any, at this stage, and we will closely monitor and assess any development in the rulemaking process. If the enacted version of the Draft Cyber Data Security Regulation mandates clearance of a cybersecurity review and other specific actions to be completed by China-based companies listed on a foreign stock exchange like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

As of the Latest Practicable Date, we had not received any investigation, notice, warning or sanction from the CAC or any other PRC governmental authority with respect to national security issues or any other issues relating to cybersecurity review. In addition, (i) as of the Latest Practicable Date, we have implemented internal rules and procedures as appropriate and necessary on cybersecurity, data security and personal information protection; (ii) during the Track Record Period and as of the Latest Practicable Date, we had not experienced any leakage or loss of material data or personal information or other events that violate applicable laws and regulations on cybersecurity and data protection and have a material adverse impact on our business operation; (iii) during the Track Record Period and as of the Latest Practicable Date, we had not been subject to any material fines, penalties or other regulatory sanctions imposed by competent regulatory authorities, or involved in any judicial litigation or arbitration (whether closed or ongoing), based on our actual or alleged violation of applicable laws and regulations on cybersecurity and data protection; and (iv) we have been closely monitoring the legislative and regulatory developments in cybersecurity, data security and personal information protection. Based on the foregoing, as advised by our PRC Legal Advisor, we are of the view that we will be able to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation (if adopted in its current form) in all material aspects. For a more detailed discussion of the applicability of the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation and the impact these regulations may have on us, see “Regulations Relating to Cybersecurity, Data Security and Privacy Protection – PRC.”

SUMMARY

For more information, see “Risk Factors – Compliance with the rapidly evolving landscape of global data privacy and data security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of personal information, could damage our reputation and deter current and potential customers and end users from using our platform and products and services or subject us to significant compliance costs or penalties, which could materially and adversely affect our business, financial condition and results of operations” and “Regulations – Regulations Relating to Cyber Security, Data Security and Privacy Protection.”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021, the end of the year reported on the Accountant’s Report included in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms.”

“2015 Equity Incentive Plan”	the equity incentive plan our Company adopted on December 23, 2014, as amended from time to time, the principal terms of which are set out in “Statutory and General Information – D. Equity Incentive Plan – 1. The 2015 Equity Incentive Plan” in Appendix IV
“Accountant’s Report”	the accountant’s report of our Company, the text of which is set out in Appendix I to this prospectus
“ADS(s)”	American Depositary Shares, each representing one Class A Ordinary Share
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the eighth amended and restated articles of association of the Company adopted by a special resolutions of the shareholders of the Company on February 21, 2021 and effective on March 22, 2021, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong or other relevant jurisdictions are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate

DEFINITIONS

“Cayman Companies Act” or “Companies Act”	the Companies Act (As Revised) of the Cayman Islands, as amended or supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“China” or “the PRC”	the People’s Republic of China, and for the purposes of this prospectus only, except where the context requires otherwise, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“Class A Ordinary Shares”	class A ordinary shares of the share capital of the Company with a par value of US\$0.00005 each, conferring a holder of a Class A Ordinary Share one vote per Share on any resolution tabled at the Company’s general meeting
“Class B Ordinary Shares”	class B ordinary shares of the share capital of the Company with a par value of US\$0.00005 each, conferring weighted voting rights in the Company such that a holder of a Class B Ordinary Share is currently entitled to fifteen votes per Share (and will be entitled to ten votes per Share after amendment of our Articles in the Post-Listing GM) on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per Share
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Tuya Inc., an exempted company with limited liability incorporated in the Cayman Islands on August 28, 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Consolidated Affiliated Entity(ies)”	entities we control wholly or partly through the Contractual Arrangements, namely Hangzhou Tuya Technology and its subsidiaries (if any), details of which are set out in the sections headed “History, Development and Corporate Structure” and “Contractual Arrangements”
“Contractual Arrangement(s)”	the series of contractual arrangements entered into between the WFOE, our Consolidated Affiliated Entity and the Registered Shareholders (as applicable) on December 23, 2014, first amended and restated on August 23, 2019 (as applicable), and further amended and restated on January 19, 2022, as detailed in the section headed “Contractual Arrangements”
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Mr. Chen, Mr. Zhou, Tuya Group Inc., Tenet Group, Tenet Vision, Tenet Global, Tenet Smart, Unileo and Valgolden, as further detailed in the section headed “Relationship with our Controlling Shareholders”
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Depository”	The Bank of New York Mellon, the depository of our ADSs
“Director(s)”	the director(s) of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“GAAP”	generally accepted accounting principles
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“Government Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“ GREEN Application Form(s)” or “Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Consolidated Affiliated Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and Consolidated Affiliated Entities, such subsidiaries and Consolidated Affiliated Entities as if they were subsidiaries and Consolidated Affiliated Entities of our Company at the relevant time
“Guangdong Tuya”	Guangdong Tuya Smart Information Technology Co., Ltd.* (廣東塗鴉智能信息技術有限公司), a limited liability company established under the laws of the PRC on August 14, 2020 and a subsidiary of our Company
“Hangzhou Tuya Technology”	Hangzhou Tuya Technology Co., Ltd.* (杭州塗鴉科技有限公司), a limited liability company established under the laws of the PRC on June 16, 2014 and a Consolidated Affiliated Entity
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong Offer Shares”	the 730,000 Class A Ordinary Shares offered pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Public Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%) on the terms and subject to the conditions described in this prospectus, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement, dated June 20, 2022, relating to the Hong Kong Public Offering, entered into by our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement”
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	a person or entity which, to the best of our Directors’ knowledge, information, and belief having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

DEFINITIONS

“International Offer Price”	the final offer price per International Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%)
“International Offer Shares”	the 6,570,000 Class A Ordinary Shares offered pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
“International Offering”	the conditional placing of the International Offer Shares at the International Offer Price pursuant to the shelf registration statement on Form F-3 that was filed with the SEC and automatically became effective on May 31, 2022, a preliminary prospectus supplement, and a final prospectus supplement, and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement, expected to be entered into on or about June 27, 2022, relating to the International Offering, by our Company, the Joint Global Coordinators and the International Underwriters, as further described in the paragraph headed “Underwriting – International Offering – International Underwriting Agreement”
“JOBS Act”	the Jumpstart Our Business Startups Act of the United States
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley Asia Limited, Merrill Lynch (Asia Pacific) Limited, CMB International Capital Limited and Tiger Brokers (HK) Global Limited
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley Asia Limited and Merrill Lynch (Asia Pacific) Limited

DEFINITIONS

“Joint Lead Managers”	China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley Asia Limited, Merrill Lynch (Asia Pacific) Limited, CMB International Capital Limited and Tiger Brokers (HK) Global Limited
“Joint Representatives”	China International Capital Corporation Hong Kong Securities Limited, Morgan Stanley Asia Limited and Merrill Lynch (Asia Pacific) Limited
“Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited and Morgan Stanley Asia Limited
“Latest Practicable Date”	June 13, 2022, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Government Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Class A Ordinary Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date on which the Class A Ordinary Shares are to be listed and on which dealings in the Class A Ordinary Shares are to be first permitted to take place on the Stock Exchange, which is expected to be on or around Tuesday, July 5, 2022
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the eighth amended and restated memorandum of association of the Company adopted by a special resolutions of the shareholders of the Company on February 21, 2021 and effective on March 22, 2021, a summary of which is set out in “Summary of the constitution of the Company and Cayman Company Law” in Appendix III
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen”	Mr. Chen Liaohan (陳燎罕), our founder, an executive Director, co-chairman of the Board, president of our Company, and one of our Controlling Shareholders
“Mr. Wang”	Mr. Wang Xueji (王學集), our founder, an executive Director, co-chairman of the Board, chief executive officer of our Company, and one of our Controlling Shareholders
“Mr. Yang”	Mr. Yang Yi (楊懿), our co-founder, an executive Director and chief operation officer of our Company
“Mr. Zhou”	Mr. Zhou Ruixin (周瑞鑫), our co-founder, chief technology officer of our Company, and one of our Controlling Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NYSE”	the New York Stock Exchange

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 1,095,000 additional Shares (representing in aggregate not more than 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering – Over-allotment Option”
“Post-Listing GM”	the first general meeting of our Company to be convened within six months from the Listing Date, in which shareholders’ approval will be sought to amend the Articles, details of which are described in the section headed “Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company”
“PRC Legal Advisor”	Jia Yuan Law Offices, our legal advisors as to PRC law
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the pricing of the Offer Shares
“Price Determination Date”	the date, expected to be on or about Monday, June 27, 2022, on which the International Offer Price and final Public Offer Price will be determined, or such later time as the Joint Representatives (for themselves and on behalf of the Underwriters) and we may agree, but in any event, not later than Monday, July 4, 2022

DEFINITIONS

“Public Offer Price”	the final offer price per Hong Kong Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%)
“Registered Shareholders”	the registered shareholders of our Consolidated Affiliated Entity, namely, Mr. Wang, Mr. Chen, Mr. Zhou, Mr. Lin Yaona and Mr. Chen Peihong
“Relevant Persons”	the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering
“Reserved Matters”	those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, (ii) the variation of the rights attached to any class of shares, (iii) the appointment, election or removal of any independent non-executive Director, (iv) the appointment or removal of the Company’s auditors, and (v) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SASAC”	the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“SAT”	State Administration of Taxation (國家稅務總局)

DEFINITIONS

“SEC”	the U.S. Securities and Exchange Commission
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the Class A Ordinary Shares and Class B Ordinary Shares in the share capital of the Company, as the context so requires
“Shareholder(s)”	holder(s) of our Share(s)
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the agreement expected to be entered into on or around the Price Determination Date between the Stabilizing Manager or its affiliates and Tenet Group, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Tenet Group to make available to the Stabilizing Manager or its affiliates up to a total of 1,095,000 Class A Ordinary Shares to cover over-allocations in the International Offering
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Tencent”	Tencent Holdings Limited, its subsidiaries and/or its controlled affiliated entities, as the context requires. Tencent Holdings Limited (stock code: 700), was incorporated in the Cayman Islands with limited liability and is current listed on the Stock Exchange

DEFINITIONS

“Tenet Global”	Tenet Global Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of BVI on December 31, 2020, which is wholly owned by Tenet Smart and ultimately controlled by Mr. Wang
“Tenet Group”	Tenet Group Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of BVI on January 8, 2021, which is wholly owned by Tenet Global and ultimately controlled by Mr. Wang
“Tenet Smart”	Tenet Smart Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of BVI on January 20, 2021, which is wholly owned by TMF (Cayman) Ltd., being a limited liability company incorporated in the Cayman Islands on September 30, 1994, the trustee of Wang’s Family Trust, of which the settlor is Mr. Wang and the beneficiaries are Mr. Wang and Tuya Group Inc.
“Tenet Vision”	Tenet Vision Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of BVI on December 16, 2021, which is wholly owned by Tenet Global and ultimately controlled by Mr. Wang
“Track Record Period”	the three years ended December 31, 2021
“Tuya Global”	Tuya Global Inc., a company incorporated under the laws of California, the United States on July 22, 2015 and a subsidiary of our Company
“Tuya Group Inc.”	Tuya Group Inc., one of our Controlling Shareholders, a business company with limited liability incorporated under the laws of BVI on August 20, 2014, which is wholly owned by Mr. Wang
“Tuya (HK)”	Tuya (HK) Limited, a limited liability company incorporated under the laws of Hong Kong on September 12, 2014 and a subsidiary of our Company
“U.S. Exchange Act”	United States Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“U.S. GAAP”	Generally Accepted Accounting Principles in the United States
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Unileo”	Unileo Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of BVI on December 23, 2020, which is wholly owned by Mr. Chen
“United States”, “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“Valgolden”	Valgolden Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of BVI on December 23, 2020, which is wholly owned by Mr. Zhou
“VAT”	value-added tax
“VIE” or “VIEs”	variable interest entity or variable interest entities
“Wang’s Family Trust”	a trust established on February 1, 2021 by Mr. Wang, as the settlor with TMF (Cayman) Ltd. as the trustee and Mr. Wang and Tuya Group Inc. being the beneficiaries
“weighted voting right” or “WVR”	has the meaning ascribed to it in the Listing Rules
“WFOE” or “Tuya Information”	Hangzhou Tuya Information Technology Co., Ltd.* (杭州塗鴉信息技術有限公司), a limited liability company established under the laws of the PRC on December 5, 2014 and a subsidiary of our Company

DEFINITIONS

“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider , at www.eipo.com.hk
“ White Form eIPO Service Provider ”	Computershare Hong Kong Investor Services Limited
“WVR Beneficiaries”, each a “WVR Beneficiary”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang and Mr. Chen, being the beneficial owners of the Class B Ordinary Shares which carry weighted voting rights, details of which are set out in the section headed “Share Capital”
“WVR Structure”	has the meaning ascribed to it in the Listing Rules
“Zhejiang Tuya”	Zhejiang Tuya Smart Electronics Co., Ltd.* (浙江塗鴉智能電子有限公司), a limited liability company established under the laws of the PRC on May 9, 2020 and a subsidiary of our Company
“%”	per cent

* For identification purposes only

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this prospectus in connection with our Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“5G”	the fifth generation of broadband cellular network technology standards, that conforms to various International Mobile Telecommunication specifications, which is standard for mobile telecommunications defined by the International Telecommunication Union
“AI”	artificial intelligence, simulation of human intelligence by machines
“AIoT”	Artificial Intelligence of Things, the combination of AI technologies with the IoT infrastructure to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
“API”	application programming interface, a set of subroutine definitions, communication protocols and tools for building software
“app” or “application”	application software designed to run on smartphones and other mobile devices
“architecture”	the structure under which an information system’s hardware, software, data and communication capabilities are put together
“Bluetooth”	a short-range wireless technology standard for data exchange between fixed and mobiles devices over short distances
“cloud-based”	applications, services or resources made available to users on demand via the Internet from a cloud computing provider’s servers with access to shared pools of configurable resources
“digital twin”	a virtual representation of an object or system that spans its lifecycle

GLOSSARY OF TECHNICAL TERMS

“dual radio”	a device that uses two different protocols to communicate. There are two radios in the access point so one can operate at 2.4Ghz and the other at 5Ghz
“Erlang”	a functional, general-purpose programming language designed to build scalable, concurrent systems with high availability guarantees
“IaaS”	infrastructure as a service, a form of cloud computing that provides virtualized computing resources over the internet
“IoT”	the connection of physical objects, or “things,” that are embedded with communication modules, software, and other technologies for the purpose of connecting and exchanging information with other devices and systems over the internet or other communications networks
“IoV” or “Internet of Vehicles”	a wireless network used for information exchange between vehicles, infrastructure, and pedestrians using internet protocols and networks
“module”	an electronic assembly where multiple chips and supporting components are integrated together on one board to be installed within a device
“OEM”	original equipment manufacturer
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
“RASP”	runtime application self-protection, a security technology that uses runtime instrumentation to detect and block computer attacks by taking advantage of information from inside the running software
“R&D”	research and development
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted and are available to end-users over the internet

GLOSSARY OF TECHNICAL TERMS

“SDK”	software development kit, an installable software package that contains the tools one needs to build a platform
“sq.m.”	square meters
“Wi-Fi”	a wireless local area network certified by the Wi-Fi Alliance for wireless local area network products based on the IEEE 802.11 standards, and a common IoT communication protocol which is available in home and business environments
“Zigbee”	a wireless protocol and open global standard designed by the Connectivity Standards Alliance (formerly known as the Zigbee Alliance), featuring low-power operation and a high level of security

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains forward-looking statements and information relating to us and our subsidiary that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would,” “vision,” “aspire,” “target,” “schedules,” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- (1) our operations and business prospects;
- (2) our ability to maintain relationship with, and the actions and developments affecting, our major customers, suppliers and subcontractors;
- (3) future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- (4) general economic, political and business conditions in the markets in which we operate;
- (5) changes to the regulatory environment in the industries and markets in which we operate;
- (6) the effects of the ongoing COVID-19 pandemic;
- (7) our ability to maintain the market leading position;
- (8) the actions and developments of our competitors;
- (9) our ability to effectively contain costs and optimize pricing;
- (10) the ability of third parties to perform in accordance with contractual terms and specifications;

FORWARD-LOOKING STATEMENTS

- (11) our ability to retain senior management and key personnel and recruit qualified staff;
- (12) our business strategies and plans to achieve these strategies, including our product and geographic expansion plans;
- (13) our ability to defend our intellectual rights and protect confidentiality;
- (14) the effectiveness of our quality control systems;
- (15) change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and
- (16) capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

An investment in the Offer Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The market price of the Offer Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

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 “Forward-looking Statements” in this prospectus.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We operate in an emerging and evolving market, which may develop differently from or more slowly than we expect. If our market does not grow as we expect, or if we cannot expand our products and services to meet the demands of this market, our revenue may decline, or fail to grow, and we may continue to incur operating losses.

The IoT PaaS and IoT SaaS markets are at an early stage of development. There is considerable uncertainty over the size and rate at which these markets will grow, as well as whether our products and services will be widely adopted. Moreover, the IoT cloud industry, including the IoT PaaS market and the IoT SaaS market, is subject to rapid technological change, evolving industry standards, changing regulations, as well as changing customer needs, requirements and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop and launch new products and services or provide enhancements and new features to keep pace with rapid technological and industry changes, our business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices or more efficiently or securely, such technologies could adversely impact our ability to compete effectively.

Our products, services and platform must also integrate with a variety of network, hardware, software and technologies, and we need to continuously modify and enhance our products, services and platform to adapt to changes and innovation. For example, if customers adopt new software, we may be required to develop new versions of our products and services to be compatible with such new software. This development effort may require significant resources, which would adversely affect our business, results of operations and financial condition. Any failure of our products and services to operate effectively with evolving or new software and technologies could reduce the demand for our products and services. If we are unable to respond to these changes in a cost-effective manner, our products and services may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

RISK FACTORS

We have a limited operating history, making it difficult to forecast our future results of operations.

We commenced our operations in 2014. Our relatively limited operating history makes it difficult to evaluate our current business and prospects, and to plan for our anticipated future growth. As a result of our limited operating history, our ability to accurately forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance.

Further, in future periods, our revenue growth could slow down or our revenue could decline for a number of reasons, including slowing demand for our offerings, increased competition, changes to technology, a decrease in the growth of our overall market, or our failure, for any reason, to continue to take advantage of growth opportunities. We have also encountered, and will continue to encounter, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks and uncertainties and our future revenue growth are incorrect, or if we do not address these risks successfully, our operating and financial results could differ materially from our expectations, and our business could suffer.

Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future.

We have experienced rapid growth since the inception of our operations. Our revenue increased by 70.0% from US\$105.8 million for 2019 to US\$179.9 million for 2020 and further increased by 67.9% to US\$302.1 million for 2021. However, you should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. We cannot assure you that we will be able to manage our growth at the same rate as we did in the past, or avoid any decline in the future. To maintain our growth, we need to attract more customers, hire more qualified research and development, or R&D, staff and other staff, scale up our business and strengthen our technology infrastructure, among others. Moreover, our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. To effectively manage the expected growth of our operations and personnel, we will also be required to refine our operational, financial and management controls and reporting systems and procedures. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers and end users in a cost-effective manner, respond timely to competitive challenges, or otherwise execute our business strategies. Our growth requires significant financial resources and will continue to place significant demands on our management. There is no guarantee that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. Our growth in a relatively short period of time is not necessarily indicative of results that we may achieve in the future. If we fail to effectively manage the growth of our business and operations, our reputation, results of operations and overall business and prospects could be negatively impacted.

RISK FACTORS

The markets in which we operate are competitive, and if we do not compete effectively, our business, operating results and financial condition could be harmed.

The IoT PaaS and IoT SaaS markets are competitive and rapidly evolving. According to CIC, we had a market share of 14.9% in the global market of IoT PaaS for smart home and smart business in terms of revenue in 2021. For more information about the industries in which we operate, see “Industry Overview.” The principal competitive factors in these markets include ability to support multiple use cases on a single platform, ease of deployment, implementation and use, platform performance, scalability and reliability, global reach, brand awareness and reputation, the strength of sales and marketing efforts, as well as ability to ensure data security and privacy.

Some of our existing and potential competitors might have substantial competitive advantages, including larger scale, longer operating history, greater brand recognition, more established relationships with customers, suppliers, manufacturers and other business partners, and greater financial, research and development, marketing and other resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may offer products or services that address one or a limited number of functions at lower prices, with greater depth than our products and services or in different geographies. Our existing and potential competitors may develop and market new products and services with comparable functionality to ours, and this could force us to offer our products and services at lower prices in order to remain competitive.

Some of our competitors are able to offer products and services at lower prices than ours, which may be attractive to certain customers even if those products and services offer different or fewer functionalities. If we are unable to maintain our current pricing due to the competitive pressures, our margins will be reduced and our business, results of operations and financial condition would be adversely affected. In addition, pricing pressures and increased competition could result in reduced revenue, reduced margins, increased losses or the failure of our products and services to achieve or maintain widespread market acceptance, any of which could harm our business, results of operations and financial condition.

With the introduction of new products and services and new market entrants, we expect competition to intensify in the future. In addition, some of our customers may choose to use our products and services and our competitors’ products and services at the same time, or choose to switch to other IoT platforms. As we expand the scope of our platform, products and services, we may face additional competition. If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could also adversely affect our ability to compete effectively.

RISK FACTORS

The success of our business is dependent upon our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our products and services. If we are unable to expand our customer base, or if the use of our products and services by our customers declines, our business may be harmed.

Our ability to expand and generate revenue depends, in part, on our ability to maintain and expand our relationships with customers and convince them to increase their use of our products and services. We successfully grew our total number of customers from approximately 3,300 in 2019, to approximately 5,000 in 2020, and further to approximately 8,400 in 2021. Our IoT PaaS customers increased from approximately 2,300 in 2019 to approximately 3,300 in 2020, and further to approximately 5,500 in 2021. If our customers do not increase their use of our products and services, our revenue may not grow and our results of operations may be harmed. It is difficult to predict the end users' usage levels of smart devices accurately and the loss of customers or reductions in the end users' usage levels may have a negative impact on our business, results of operations, and financial condition. Our customers may cease, or reduce their usage of our products and services due to a variety of reasons or factors, such as progress in technology that makes our products and services obsolete, a decrease in the quality of our products and services, unfounded allegations and rumors relating to the health effect of technologies such as 5G, or national security or other concerns caused by our products and services, rising raw material prices, and shortage of semiconductor components, which are outside our or our customers' control. If a significant number of our customers cease using, or reduce their usage of, our products and services, or if the brands who place orders through our OEM customers cease to place orders from them, we may be required to spend significantly more on sales and marketing than we currently plan to spend in order to maintain or increase revenue. These additional expenditures could adversely affect our business, results of operations, and financial condition.

If we fail to estimate customer demand properly, our financial results could be harmed.

Our business involves estimates of customers' future demand. There may be a significant mismatch between supply and demand, giving rise to product shortages or excess inventory, and make our demand forecast more uncertain. Demand for our products and services is based on many factors, including our product introductions, competitor announcements, competing technologies, and power or raw material supply, among other things, many of which are beyond our or our customers' control. For example, the demand and use of the chips as part of the modules where the edge capabilities of IoT PaaS are embedded have fluctuated in the past and is likely to continue to fluctuate in the future. In periods with limited supply of chips, our customers may place inventory orders significantly in advance of their normal order cycle, which could increase fluctuations in our sales and revenues between periods and make it more difficult for us to estimate future customer demands. These challenges may be more pronounced in the future if the demand and prices of chips continue to fluctuate. In addition, to the extent our customers experience material changes in the sale of their smart devices or a high level of backlogs in inventories, they may reduce or delay purchases of our products and services, causing our estimate of customer demand to be inaccurate. In estimating demand, we

RISK FACTORS

make multiple assumptions, any of which may prove to be incorrect. Furthermore, to the extent we build inventory anticipating growth in customer demand, our business, results of operations, and financial condition may be negatively affected if such growth does not materialize as expected.

Our use of third-party suppliers involves certain risks that may result in, among others, increased costs, disruption of supply or shortage of raw materials, quality or compliance issues, or failure by our suppliers to timely manufacture the modules and finished smart devices, any of which could materially harm our business.

We use third-party suppliers to manufacture the modules where edge capabilities of IoT PaaS are embedded, and in some circumstances, finished smart devices. We do not manufacture these modules or smart devices and do not own or operate any manufacturing facility. Instead, we are dependent on third-party suppliers to manufacture the modules and smart devices using their equipment and technology. Our use of such third-party module suppliers involves a number of risks, including:

- insufficient capacity or delays in meeting our demand;
- inadequate manufacturing yields, inferior quality and excessive costs;
- failure by our suppliers to manufacture products that meet the agreed upon specifications;
- failure by our suppliers to procure raw materials on commercially reasonable terms, or at all, or to provide or allocate adequate, or any, manufacturing or other capacity for our products;
- failure by our suppliers to comply with the relevant regulatory requirements, including those relating to the manufacturing process;
- limited warranties on products supplied to us;
- potential increases in prices;
- a lack of direct control over delivery schedules or product quantity and quality;
- delays in product shipment, shortages, a decrease in product quality and/or higher expenses;
- increased exposure to potential misappropriation of our intellectual property; and
- disruptions to supply chain, manufacturing process and business operation due to the COVID-19 pandemic.

RISK FACTORS

If any of our suppliers is not able to perform its manufacturing obligations in the manner, timing and quality as agreed, we may not be able to, on a timely basis, find a suitable alternative on commercially acceptable terms. Disruptions of our relationships with such suppliers could negatively impact our business operations for an extended period of time. Any inability to acquire sufficient quantities of the modules and finished smart devices in a timely manner from these third-party suppliers could have a material negative impact on our business.

Components of IoT modules and other raw materials used in our operations are periodically subject to supply shortages, and our business is subject to the risk of price increases and periodic delays in delivery. For example, since early 2021, there have been continued global supply chain disruptions, and the supply of chips that are essential components of IoT modules has been subject to a global shortage. While we believe such chip shortage has not had a material negative impact on our business operations to date, there is no assurance that we will be able to continue to secure adequate chip supply at commercially reasonable cost for our operations. If we fail to secure sufficient chip supply, we may have to secure alternative suppliers or find alternative supplies or technologies, which could be costly, time consuming, and may not be successful. To the extent the chip shortage deteriorates or becomes longer-term in nature, we may experience significant delays in our delivery to customers and our business operations and prospects may be negatively impacted. For a more detailed discussion of our responses to the global chip shortage, see “Business – Our Suppliers.”

If we are not able to introduce new features or products successfully or to make enhancements to our existing products and services, our business and results of operations could be adversely affected.

To attract new customers and end users and keep our existing ones engaged, we must introduce new products and services and upgrade our existing offerings to meet their evolving preferences. It is difficult to predict the preferences of a particular customer or a specific group of customers. Changes and upgrades to our existing products may not be well received by our customers and end users, and newly introduced products or services may not achieve success as expected. For example, we may introduce new industry SaaS products for new industry verticals, with which we have little or no prior experience. Such efforts may require us to contribute a substantial amount of additional human capital and financial resources. We cannot assure you that any of such new products will achieve market acceptance or generate sufficient revenues to adequately compensate the costs and expenses incurred in relation to our development and promotion efforts. Enhancements and new products and services that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may have interoperability difficulties with our platform or other products and services or may not achieve the broad market acceptance necessary to generate significant revenue. If we fail to improve our existing products and introduce new ones in a timely or cost-effective manner, our ability to attract and retain customers and end users may be impaired, and our financial performance and prospects may be adversely affected.

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We rely upon third-party providers of cloud-based infrastructure to host our platform. Any disruption in the operations of these third-party providers, limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.

We currently serve our customers and end users from data centers in China, the United States, Europe and India. We also use various third-party cloud-hosting providers such as AWS, Microsoft Azure and Tencent Cloud to provide cloud infrastructure for our platform. Our IoT PaaS and Industry SaaS products and value-added services rely on the operations of this infrastructure. We do not control, or in some cases have limited control over, the operation of the data center facilities we use. Customers expect to access our platform at any time, without interruption or degradation of performance, and we provide a few customers with service-level commitments with respect to uptime. Any limitation on the capacity of our data centers or cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers, host our products or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our data centers or cloud infrastructure that may be caused by cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect the cloud-based portion of our platform. A prolonged service disruption affecting our data centers or cloud-based services for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

In the event that our service agreements relating to our data centers or cloud infrastructure are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform, as well as significant delays and additional expense in arranging or creating new facilities and services or re-architecting our platform for deployment on a different data center provider or cloud infrastructure service provider, which could adversely affect our business, financial condition and results of operations.

We benefit from integration of our products and services with those of our business partners. If these business partners choose not to partner with us in the future, our business and results of operations may be harmed.

We benefit from integration of our products and services with those of our business partners, such as the providers of cloud services used to support our platform. If entities who serve as our business partners change their cooperation model with us, our business, results of operations and financial condition may be adversely affected. We may also face competition from our business partners in a number of areas, including innovations in our businesses. Such competition may adversely affect our competitive position, business prospects and our relationship with our business partners. It may be necessary in the future to renegotiate

RISK FACTORS

agreements relating to various aspects of these collaborations or business partnerships. In addition, if our business partners choose not to partner with us, or choose to form collaborations with our competitors' platforms, our business, financial condition and results of operations could be harmed.

Compliance with the rapidly evolving landscape of global data privacy and data security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of personal information, could damage our reputation and deter current and potential customers and end users from using our platform and products and services or subject us to significant compliance costs or penalties, which could materially and adversely affect our business, financial condition and results of operations.

Failure to comply with the increasing number of data protection laws in the jurisdictions in which we operate, as well as concerns about our practices with regard to the collection, use, storage, retention, transfer, disclosure and other processing of personal information, the security of personal information, the use of biometric information or other privacy-related matters, such as cybersecurity breaches, misuse of personal information and data sharing without necessary safeguards, including concerns from our customers, employees and third parties with whom we conduct business, even if unfounded, could damage our reputation and operating results. As we seek to expand our business, we are, and may increasingly become, subject to various laws, regulations and standards, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory and legal frameworks regarding data privacy and security issues in many jurisdictions are constantly evolving and developing and can be subject to significant changes from time to time, including in ways that may result in conflicting requirements among various jurisdictions. Interpretation and implementation standards and enforcement practices are similarly in a state of flux and are likely to remain uncertain for the foreseeable future. As a result, we may not be able to comprehensively assess the scope and extent of our compliance responsibility at a global level, and may fail to fully comply with the applicable data privacy and security laws, regulations and standards. Moreover, these laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material and adverse impact on our business, financial condition and results of operations.

PRC

- In recent years, the PRC government has increasingly tightened the regulation of cybersecurity and the storage, sharing, use, disclosure and protection of data and personal information. The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”) promulgated by the Standing Committee of the National People's Congress (the “**SCNPC**”), has come into force on June 1, 2017. In addition, the Data Security Law of PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”) was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021.

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- Numerous laws, regulations, guidelines and other measures have been or are expected to be adopted pursuant to the guidelines of, or in addition to, the Cybersecurity Law and Data Security Law. These include, for example, the draft Measures on Security Assessment of Cross-Border Transfer of Personal Information and Important Data (《個人信息和重要數據出境安全評估辦法(徵求意見稿)》) released in April 2017, the draft Measures on Security Assessment of Cross-Border Transfer of Personal Information (《個人信息出境安全評估辦法(徵求意見稿)》) released in June 2019, and the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), which was released on August 20, 2021 and became effective on November 1, 2021. Specifically, on October 29, 2021, the CAC released the consultation draft of the Cross-border Transfer of Data (《數據出境安全評估辦法(徵求意見稿)》), which is applicable to cross-border transfers of personal information and important data collected and generated in China under certain circumstances. While we do not believe our current business involves any transmission, use and exchange of information that comes under the definition of “cross-border transfers of personal information and important data” under the foregoing laws and regulations, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours, thus requiring us to comply with applicable data localization, security assessment and other requirements under these proposed laws and regulations. As our business continues to grow, there may arise circumstances where we engage in such cross-border transfers of personal information and important data, including in order to satisfy the legal and regulatory requirements, in which case we may need to comply with the foregoing requirements as well as any other limitations under PRC laws then applicable. Complying with these laws and requirements could cause us to incur substantial expenses or require us to alter or change our practices in ways that could harm our business. Additionally, to the extent we are found to be not in compliance with these laws and requirements, we may be subject to fines, regulatory orders to suspend our operations or other regulatory and disciplinary sanctions, which could materially and adversely affect our business, financial condition and results of operations.
- On July 30, 2021, the State Council of the PRC promulgated the Provisions on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CII Protection Regulations**”), which became effective on September 1, 2021. Pursuant to the CII Protection Regulations, “critical information infrastructures,” or “CIIs,” refer to any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector shall be responsible for formulating eligibility criteria and identifying the CII operators, or CIIOs, in the respective industry or sector, and the CIIOs shall be responsible for protecting the CIIs’ security by performing certain prescribed obligations. As of the Latest Practicable Date, we have not been informed by

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CAC or any other PRC government authorities that we are identified or will be deemed as a CHIO. However, since the criteria for determining CHIOs is uncertain, we cannot assure you that we will not be identified as a CHIO by any competent regulatory authority in the future.

- On December 28, 2021, the CAC and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which became effective on February 15, 2022. The Cybersecurity Review Measures provide that (i) a “network platform operator” holding over one million users’ personal information shall apply for a cybersecurity review when listing their securities “in a foreign country”, (ii) a CHIO that intends to purchase internet products and services that affect or may affect national security shall apply for a cybersecurity review, and (iii) a “network platform operator” carrying out data processing activities that affect or may affect national security shall apply for a cybersecurity review. As advised by our PRC Legal Advisor, we are of the view that given the fact that Hong Kong is within the territory of PRC, it is unlikely that our proposed listing in Hong Kong will be considered “listing in a foreign country” thus requiring us to proactively apply for a cybersecurity review pursuant to the Cybersecurity Review Measures. However, since the Cybersecurity Review Measures are relatively new, significant uncertainties exist in relation to their interpretation and implementation. Additionally, the Cybersecurity Review Measures do not provide the exact scope of “network platform operator” or the circumstances that would “affect or may affect national security.” There can be no assurance that we will not be required to apply for a cybersecurity review pursuant to the Cybersecurity Review Measures. To the extent any cybersecurity review is required, we cannot assure you that we will be able to complete it in a timely manner, or at all. Any failure to complete the required cybersecurity review may result in regulatory sanctions including, among others, government enforcement actions and investigations, fines, penalties, and suspension of our non-compliant operations, as well as reputational damage or legal proceedings or actions against us, any of which may have material adverse effects on our business, financial condition and results of operations.
- In addition, on November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”). The Draft Cyber Data Security Regulation differentiates “listing in Hong Kong” from “listing in a foreign country”. The Draft Cyber Data Security Regulation has not been officially enacted as of the date of this prospectus. According to the Draft Cyber Data Security Regulation, data processors shall apply for a cybersecurity review when carrying out the following activities: (i) the merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affect or may affect national security; (ii) data processors that handle personal information of more than one million people contemplating to list its securities on a “foreign” stock exchange; (iii) data processors contemplating to list its securities on a stock exchange in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect

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or may affect national security. According to the PRC National Security Law (中華人民共和國國家安全法), “national security” refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state are relatively not in danger and not threatened internally or externally and the ability to maintain a sustained security status. However, the criteria for determining the circumstances that “affect or may affect national security” for the purpose of the Draft Cyber Data Security Regulation remain unclear and are subject to further clarification by the CAC. It also remains uncertain when the Draft Cyber Data Security Regulation will be adopted and become effective and whether it will be adopted in its current draft form. Therefore, it is uncertain whether we would be required to apply for a cybersecurity review for our listing in Hong Kong pursuant to the Draft Cyber Data Security Regulation when it is officially adopted. It also remains uncertain whether future regulatory changes would impose additional restrictions on us. We cannot predict the impact of the Draft Cyber Data Security Regulation, if any, at this stage, and we will closely monitor and assess any development in the rulemaking process. If the enacted version of the Draft Cyber Data Security Regulation mandates clearance of a cybersecurity review and other specific actions to be completed by China-based companies listed on a foreign stock exchange like us, we face uncertainties as to whether such clearance can be timely obtained, or at all.

- For a more detailed discussion of the applicability of the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation and how we will comply with these regulations, see “Regulations Relating to Cybersecurity, Data Security and Privacy Protection – PRC.”

EU

- The General Data Protection Regulation (EU) 2016/679 (“**GDPR**”), which applies to the collection, use, storage, retention, transfer, disclosure and other processing of personal data obtained from individuals located in the European Union (“**EU**”) or by businesses operating within the EU, became effective on May 25, 2018 and has resulted, and will continue to result, in significantly greater compliance burdens and costs for companies with customers, end users, or operations in the EU. The GDPR places stringent obligations and operational requirements on us as both a processor and controller of personal data and could make it more difficult or more costly for us to use and share personal data. Under the GDPR, data protection supervisory authorities are given various enforcement powers, including levying fines of up to 20 million Euros or up to 4% of an organization’s annual worldwide turnover, whichever is greater, for the preceding financial year, for non-compliance. Data subjects also have the right to be compensated for damages suffered as a result of a controller or processor’s non-compliance with the GDPR. While the GDPR provides a more harmonized approach to data protection regulation across the EU member states, it also gives EU member states certain areas of discretion and therefore laws and regulations in relation to certain data processing activities may differ on a member state by member state basis, which could further limit our ability to use and share personal data and could require localized changes to our

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operating model. In addition to the GDPR, the EU also has released a proposed Regulation on Privacy and Electronic Communications, or the ePrivacy Regulation, to replace the EU's current Privacy and Electronic Communications Directive, or the ePrivacy Directive, to, among other things, better align EU member states and the rules governing online tracking technologies and electronic communications, such as unsolicited marketing and cookies, with the requirements of the GDPR. While the ePrivacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is currently going through the European legislative process, and commentators now expect it to be adopted between 2022 and 2023. The current draft of the ePrivacy Regulation significantly increases fining powers to the same levels as GDPR and may require us to change our operational model and incur additional compliance expenses. Since trilogue negotiations among the Council of the European Union, the European Parliament and the European Commission are still ongoing, the details of this regulation remain in flux. Additional time and effort may need to be spent addressing the new requirements in the potential ePrivacy Regulation as compared to the GDPR.

- Under the GDPR, restrictions are placed on transfers of personal data outside of the European Economic Area to countries which have not been deemed “adequate” by the European Commission (including the United States and the PRC). As a global business, with customers and end users worldwide, we are susceptible to any changes in legal requirements affecting international data flows. The Court of Justice of the European Union (“CJEU”) issued a decision on July 16, 2020, invalidating the EU-US Privacy Shield Framework, which provided one mechanism for lawful cross-border transfers of personal data between the EU and the U.S. While the decision did not invalidate the use of standard contractual clauses, another mechanism for making lawful cross-border transfers, the decision has called the validity of standard contractual clauses into question under certain circumstances, and has made the legality of transferring personal data from the EU to the U.S. or various other jurisdictions outside of the EU more uncertain.
- Specifically, the CJEU stated that companies must now assess the validity of standard contractual clauses on a case by case basis, taking into consideration whether the standard contractual clauses provide sufficient protection in light of any access by the public authorities of the third country to where the personal data is transferred, and the relevant aspects of the legal system of such third country. While the European Commission recently published new standard contractual clauses for transferring personal data from the EU to third countries, and the European Data Protection Board issued certain recommendations relating to measures that supplement transfer tools to ensure compliance with the EU level of protection of personal data, the CJEU's decision has increased uncertainty surrounding data transfers from the EU to third countries that may not offer the same level of protection for data subjects' rights as the EU. Due to these recent regulatory changes and guidance, we may need to invest in additional technical, legal and organization safeguards in the future to avoid disruptions to data flows within

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our business and to and from our customers and service providers. Furthermore, this uncertainty, and its eventual resolution, may increase our costs of compliance, impede our ability to transfer data and conduct our business, and harm our business or results of operations.

United States

- In the United States, various federal regulators, including governmental agencies like the Federal Trade Commission, and states and state regulators, including in California, Colorado, Virginia and Illinois, have adopted, or are considering adopting, laws and regulations concerning personal data and data security, such as the California Consumer Privacy Act (“CCPA”), the Colorado Privacy Act, the Virginia Consumer Data Protection Act, the California Internet of Things Security Law and the Illinois Biometric Information Privacy Act. This patchwork of legislation and regulation may give rise to conflicts or differing views of personal privacy rights. For example, certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal data than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. One such comprehensive privacy law in the United States is the CCPA, which came into effect on January 1, 2020. Among other things, the CCPA requires companies that process personal information of California residents to make new detailed disclosures to consumers about such companies’ data collection, use and sharing practices, gives California residents expanded rights to access and delete their personal information and to opt out of certain personal information sharing with (and sales of personal information to) third parties. The CCPA provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal data. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. The CCPA was amended in September 2018, November 2019 and September 2020, and it is possible that further amendments will be enacted, but even in its current form it remains unclear how various provisions of the CCPA will be interpreted and enforced. Additionally, a new privacy law, the California Privacy Rights Act (“CPRA”), was approved by California voters in the election of November 3, 2020. The CPRA, which will take effect in most material respects on January 1, 2023, modifies the CCPA significantly, including by expanding consumers’ rights with respect to certain sensitive personal information and creating a new state agency to oversee implementation and enforcement efforts, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Other state laws are changing rapidly and there have been ongoing discussions and proposals in the U.S. Congress with respect to new federal data privacy and security laws to which we would become subject if enacted. All of these evolving compliance and operational requirements impose significant costs that are likely to increase over time, may require us to modify our data processing practices and policies, divert resources from other initiatives and projects, and could restrict the way products and services involving data are offered, all of which may have a material and adverse impact on our business, financial condition and results of operations.

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In addition to government regulation, privacy advocates and industry groups have and may in the future propose self-regulatory standards from time to time. These and other industry standards may legally or contractually apply to us, or we may elect to comply with such standards. We expect that there will continue to be new proposed laws and regulations concerning data privacy and security, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws, regulations, standards and other obligations may require us to incur additional costs and restrict our business operations. For example, there is an increasing trend of jurisdictions requiring data localization, which may prohibit companies from storing data relating to resident individuals in data centers outside the relevant jurisdiction or, at a minimum, require a complete set of the data to be stored in data centers within the relevant jurisdiction. Because the interpretation and application of laws, regulations, standards and other obligations relating to data privacy and security are still uncertain, it is possible that these laws, regulations, standards and other obligations may be interpreted and applied in a manner that is inconsistent with our data processing practices and policies or the features of our products and services. If so, in addition to the possibility of fines, lawsuits, complaints, inquiries, allegations, regulatory investigations, public censure, other claims and penalties, and significant costs for remediation and damage to our reputation, we could be materially and adversely affected if legislation or regulations are expanded to require changes in our data processing practices and policies or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively impact our business, financial condition and results of operations. Furthermore, the developing requirements relating to clear and prominent privacy notices (including in the context of obtaining informed and specific consents to the collection and processing of personal information, where applicable) may potentially deter end users from consenting to certain uses of their personal information.

In general, negative publicity of us or our industry regarding actual or perceived violations of our end users' privacy-related rights, including fines and enforcement actions against us or other similarly placed businesses, also may impair users' trust in our privacy practices and make them reluctant to give their consent to share their data with us. Any inability to adequately address data privacy or security-related concerns, complaints, inquiries or allegations when they arise, even if unfounded, or to comply with applicable laws, regulations, standards and other obligations relating to data privacy and security, could result in additional cost and liability to us, harm our reputation and brand, damage our relationships with consumers and have a material and adverse impact on our business, financial condition and results of operations. In addition, due to data privacy or data security concerns, our ability to retain or increase our user base and user engagement may be materially and adversely affected, we may not be able to maintain or grow our revenue as anticipated and our financial results could be materially and adversely affected.

With regard to our commercial arrangements, we and our counterparties, including business partners and external service providers, might be subject to contractual obligations regarding the processing of personal information. While we believe our and our counterparties' conduct under these agreements is in material compliance with all applicable laws, regulations, standards, certifications and orders relating to data privacy or security, we or our counterparties

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may fail, or be alleged to have failed, to be in full compliance. In the event that our acts or omissions result in alleged or actual failure to comply with applicable laws, regulations, standards, certifications and orders relating to data privacy or security, we may incur liability. While we endeavor to include indemnification provisions or other protections in such agreements to mitigate liability and losses stemming from our counterparties' acts or omissions, we may not always be able to negotiate for such protections and, even where we can, there is no guarantee that our counterparties will honor such provisions or that such protections will cover the full scope of our liabilities and losses.

While we strive to comply with our internal data privacy guidelines as well as all applicable data privacy and security laws and regulations and contractual obligations in respect of personal information, there is no assurance that we are able to comply with these laws, regulations and contractual obligations in all respects. Any failure or perceived failure by us, external service providers or business partners to comply may result in proceedings or actions against us, including fines and penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our business partners, customers or end-users, including class action privacy litigation in certain jurisdictions, and could damage our reputation and discourage current and future users from using our products and services, which could materially and adversely affect our business, financial condition and results of operations. In addition, compliance with applicable laws on data privacy requires substantial expenditure and resources, including to continually evaluate our policies and processes and adapt to new requirements that are or become applicable to us on a jurisdiction-by-jurisdiction basis, which would impose significant burdens and costs on our operations or may require us to alter our business practices. Concerns about the security of personal information also could lead to a decline in general Internet usage, which could result in a decrease in demand for our products and services and have a material and adverse effect on our business, financial condition and results of operations. Furthermore, if the local government authorities in our target markets require real-name registration for users of our platform, the growth of our customer and end-user bases may slow down and our business, financial condition and results of operations may be adversely affected.

The expansion of our international operations exposes us to significant regulatory, economic and political risks.

Expansion of our operations and customer base worldwide is essential to our growth strategy. We operate internationally with local offices in the U.S., India, Germany, China, and Japan, among other locations.

We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new markets, which will require significant management attention and financial resources worldwide. In connection with such expansion, we may face difficulties including costs associated with varying seasonality patterns, potential adverse movement of currency exchange rates, longer payment cycle difficulties in collecting accounts receivable in some countries, tariffs and trade barriers, a variety of regulatory or contractual limitations on our ability to operate, adverse tax events,

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reduced protection of intellectual property rights in some countries, political risks and a geographically and culturally diverse workforce and customer base. Failure to overcome any of these difficulties could harm our business.

In addition, we will face risks in doing business internationally that could adversely affect our business, including:

- the difficulty of managing and staffing international operations and the increased operations, travel, infrastructure and legal compliance costs associated with numerous international locations;
- challenges to our corporate culture resulting from a dispersed workforce;
- our ability to effectively price our products in competitive international markets;
- foreign ownership restrictions;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our products and services for specific countries;
- the effect of differing governmental responses to the COVID-19 pandemic and the continuing impact of the pandemic on individuals, businesses and economies in various foreign jurisdictions;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- difficulties in complying with local laws, regulations and customs in foreign jurisdictions, including those governing competition, pricing, internet activities, cybersecurity and data protection, employment and labor laws, privacy, collection, use, processing, or sharing of personal information, intellectual property, and other activities important to our business;
- difficulties with differing technical and environmental standards, privacy, cybersecurity, data protection and telecommunications regulations and certification requirements across multiple jurisdictions, which could prevent customers from deploying our products and services or limit their usage;
- difficulties in understanding, and adapt our products and services to, local end-users' habits and preferences;

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- the complexities of complying with current and future export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control and other relevant sanctions authorities;
- tariffs and other non-tariff trade barriers, such as quotas and local content rules;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates, which could increase the price of our products and services in certain markets, increase the expenses of our international operations and expose us to foreign currency exchange rate risk or the cost and risk of hedging transaction if we choose to enter into such transactions in the future;
- currency control regulations, which might restrict or prohibit our conversion of other currencies into RMB and/or U.S. dollars; and
- restrictions on the transfer of funds across borders.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, operating results and financial condition. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. As our global operations evolve, we cannot assure you that we are able to fully comply with the legal requirements of each jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity involved in our international business expansion, we cannot assure you that we are or will be in compliance with all local laws.

The COVID-19 pandemic has disrupted our and our business partners' operations and it, or any future health epidemic or other adverse public health developments, may continue to do so.

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the novel coronavirus disease 2019, or COVID-19, outbreak a public health emergency of international concern, and on March 11, 2020 the World Health Organization declared the global COVID-19 outbreak a pandemic. The COVID-19 virus continues to spread rapidly worldwide, including where our customers, suppliers and end users are located and where we have business operations. During the COVID-19 pandemic, government authorities around the world have ordered businesses to close and people to remain at home while imposing significant restrictions on traveling and social gatherings. Our customers and suppliers are also affected by COVID-19 related restrictions and closures. These measures have impacted, and may further impact, our workforce and operations, the operations of our customers and suppliers and other business partners. There continues to be significant

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uncertainties associated with the COVID-19 pandemic, including with respect to the ultimate spread of the virus, the severity of the disease, the duration of the outbreak, the possibility of successive waves of outbreaks, further actions that may be taken by government authorities around the world to contain the virus or to treat its impact, and the scope and length of the resulting economic downturn. The economic downturn due to COVID-19 may adversely affect our customers' ability to pay and customer demand for and end user usage of our products and services, which would adversely affect our operating results and financial condition.

Failure to contain the further spread of COVID-19 will prolong and exacerbate the general economic downturn. In addition, while the potential impact and duration of the COVID-19 pandemic on the global economy and our business in particular may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which may reduce our ability to access capital or our customers' ability to pay us for past or future purchases, which could negatively affect our liquidity. The COVID-19 pandemic could also reduce the demand for our products and services. For example, in the first quarter of 2020, we experienced a decline in demand for IoT PaaS due to reduced production capacity of OEMs as COVID-19 containment measures began to be widely introduced across China where substantially all of them were located. The pandemic has also caused unprecedented logistical challenges to the global supply chains, resulting in disrupted shipping lanes, labor and material shortages and fluctuating consumer demand for smart devices, all of which have negatively impacted our business and results of operations. Additionally, the travel restrictions and social distancing guidelines imposed by governments globally have reduced the amount of international travels and in-person meetings, which in turn limited our ability to engage in in-person marketing with brands, particularly those brands based in the U.S. and Europe. There is no guarantee that the prolonged pandemic will not affect the demands for our products and services in the future. From time to time, some instances of COVID-19 infections have emerged and may emerge in various regions of the PRC, and varying levels of temporary travel restrictions and other measures have been and may be reinstated to contain the infections, which may adversely affect our business in the areas affected. In addition, a recession or financial market correction resulting from the spread of COVID-19 could decrease overall technology spending, adversely affecting demand for our products and services, our business and the value of the ADSs and our Class A Ordinary Shares.

The global pandemic of COVID-19 continues to rapidly evolve, and we will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. The extent of the impact of the COVID-19 pandemic on our operational and financial performance, including our ability to execute our business strategies and initiatives, will depend on future developments, including, but not limited to, the duration and spread of the pandemic, its severity and variants, the actions to contain the disease or treat its impact, related restrictions on travel, and the duration, timing and severity of the impact on customer spending, including any recession resulting from the pandemic, all of which are uncertain and cannot be predicted. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also heighten other risks described in this "Risk Factors" section. For additional information of the impact of COVID-19 on our business, see "Financial Information – Impact of COVID-19."

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If we fail to manage the operation of our platform and infrastructure, our customers and end users may experience service outages and delays in the deployment of our products and services.

We have experienced significant growth in the number of customers and end users and the amounts of data that our cloud platform supports. We seek to maintain sufficient excess capacity on our cloud platform to meet the needs of all of our customers and end users. We also seek to maintain excess capacity to facilitate the rapid provision of new customer deployments and the expansion of existing customer deployments. In addition, we need to properly manage our technological operations infrastructure and cloud platform, and to respond to security threats, cyber-attacks and performance and reliability problems that may arise from time to time, in order to support version control, changes in hardware and software parameters and the evolution of our products and services. However, the provision of new hosting infrastructure requires adequate lead-time. We have experienced, and may in the future experience, system disruptions, outages and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer and end user usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time.

Further, if our contractual and other business relationships with our cloud infrastructure providers are terminated, suspended, or suffer a material change to which we are unable to adapt, such as the elimination of services or features on which we depend, we could be unable to provide our platform and could experience significant delays and incur additional expense in transitioning customers to a different cloud infrastructure provider. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. Any disruptions, outages, defects, and other performance and quality problems with our platform or with our products and services and internet infrastructure on which they rely, or any material change in our contractual and other business relationships with our cloud infrastructure providers, could result in reduced use of our platform, increased expenses, including service credit obligations, and harm to our brand and reputation, any of which could have a material adverse effect on our business, financial condition, and results of operations.

Defects, errors or any other problems associated with our products and services could diminish demand for our products or services, harm our business and results of operations and subject us to liability.

Our customers may use our products and services for important aspects of their businesses, and any errors, defects or disruptions to our products and services and any other performance problems with our products and services could damage our customers' businesses and, in turn, hurt our brand and reputation. We provide regular updates to our products and services, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors,

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failures, bugs or security vulnerabilities in our products could result in negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. As a result, our reputation and our brand could be harmed, and our business, operating results and financial condition may be adversely affected. Moreover, the edge capabilities of IoT PaaS are embedded in modules manufactured by certain third-party suppliers; we also use third-party suppliers to manufacture the finished smart devices for our smart device distribution customers. Such modules and finished smart devices may contain defects, errors or other product issues, which may negatively impact the performance of our platform, our products and services, and Tuya-powered smart devices, damage our reputation, harm our ability to attract new and existing customers, and incur significant support, repair or replacement costs even if we can be reimbursed from the third-party suppliers.

We generate a significant portion of our revenues from a limited number of major customers and any loss of business from these customers could have a negative impact on our revenues and harm our business.

We derive a significant portion of our revenues from a limited number of major customers. Our five largest customers in the aggregate accounted for approximately 17.0%, 20.7% and 17.2% of our total revenue, respectively, for the years ended December 31, 2019, 2020 and 2021. Our ability to maintain close relationships with major customers is essential to the success of our business.

However, the purchase orders placed by specific customers may vary from period to period, and we typically do not have long-term purchase commitments from customers not enrolled in our membership program. As a result, most of our customers could reduce or cease their use of our products and services at any time without any penalty or termination charges. A major customer in one year may not provide the same level of revenues for us in any subsequent year. In addition, reliance on any individual customer for a significant portion of our revenues may give that customer a degree of pricing leverage when negotiating contracts and terms of service with us.

Many factors not within our control could cause the loss of, or reduction in, business or revenues from any customer, and these factors are not predictable. These factors include, among others, pricing pressure from competitors, a change in a customer's business strategy, rising raw material prices, or failure of a module supplier to develop competitive products. Our customers may choose to pursue alternative technologies and develop alternative products in addition to, or in lieu of, our products, either on their own or in collaboration with others, including our competitors. The loss of any major customer, or a significant decrease in the volume of customer demand or the price at which we sell our products to customers, could materially adversely affect our financial condition and results of operations.

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We have a history of net loss and net cash operating outflow and may not be able to achieve or sustain profitability in the future.

We have experienced net loss in each year since inception. We generated net losses of US\$70.5 million, US\$66.9 million and US\$175.4 million in 2019, 2020 and 2021, respectively. We expect to continue to devote significant resources to research and development activities. We also expect to continue to incur substantial sales and marketing expenses in acquiring and retaining customers and enhancing our brand awareness, and incur substantial general and administrative expenses including those associated with operating as a public company. We may not be able to increase our revenue enough to offset the increase in operating expenses resulting from these investments. Additionally, we may not be able to achieve profitability within the next three to five years. If we are unable to achieve and sustain profitability, or if we are unable to achieve the revenue growth that we expect from these investments, the value of our business and stock may decrease.

Additionally, we recorded net cash operating outflow of US\$56.6 million, US\$49.2 million and US\$126.1 million in 2019, 2020 and 2021, respectively. If we continue to experience net cash operating outflow in the future, our business, liquidity, financial condition and results of operations may be materially and adversely affected. There is no assurance that we will always generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due, due to a variety of factors. For actions we intend to take to finance our future working capital requirements and capital expenditures, see “Financial Information – Liquidity and Capital Resources.” There can be no assurance that we will be able to successfully take any of these actions in a timely manner, including prudently managing our working capital, or raising additional equity or debt financing on terms that are acceptable to us. Our failure to take these actions as and when necessary could materially adversely affect our liquidity, results of operations, financial condition and ability to operate.

For a detailed discussion of our plan to maintain business sustainability and achieve future profitability, see “Business – Business Sustainability.”

We cannot guarantee that our future monetization strategies will be successfully implemented or generate sustainable revenues and profit.

We have developed a diversified revenue model and plan to explore additional opportunities to monetize our customer base and technology by, for example, promoting additional value-added services to end users to generate more subscription fees. If these efforts fail to achieve our anticipated results, we may not be able to increase or maintain our revenue growth. Specifically, in order to increase the number of our customers and end users and their levels of spending, we will need to address a number of challenges, including providing consistent quality products and services; continuing to innovate and stay ahead of our competitors; and improving the effectiveness and efficiency of our sales and marketing efforts.

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If we fail to address any of these challenges, we may not be successful in increasing the number of our customers and end users and their expenditures with us, which could have a material adverse impact on our business, financial condition and results of operations.

Our results may fluctuate from period to period, and if we fail to meet securities analysts' and investors' expectations, the trading price of our Class A Ordinary Shares and the ADSs and the value of your investment could decline substantially.

Our operating results have fluctuated from period to period and may continue to fluctuate in the future as a result of a variety of factors, many of which are outside of our control and are unpredictable. For example, our business model is based in large part on our ability to accurately estimate customer demands, which may constrain our ability to forecast revenue. If operating results for any particular period fall below securities analysts' and investors' expectations, then the trading price of our Class A Ordinary Shares and the ADSs could decline substantially. Some factors that may cause our operating results to fluctuate from period to period include:

- our ability to attract, retain and increase revenue from customers and end users;
- market acceptance of our products and services and our ability to introduce new products and services and enhance existing products and services;
- competition and the actions of our competitors, including pricing changes and the introduction of new products and services, services and geographies;
- our ability to control costs and operating expenses, including the fees that we pay cloud infrastructure providers and module suppliers;
- changes in our pricing as a result of our negotiations with our larger customers or our optimization efforts or otherwise;
- the rate of expansion and productivity of our sales force;
- change in the mix of products and services that our customers and end users use;
- changes in end user and customer demand as end users increase and decrease their demands for smart home products due to the imposition or easing of stay-at-home, travel and other government mandates or changes in end user or customer demand for our products and services in response to the COVID-19 pandemic;
- the expansion of our business, particularly in international markets;
- changes in foreign currency exchange rates;

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- changes in laws, regulations or regulatory enforcement, in China, the United States or other countries, that impact our ability to market, sell or deliver our products;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our products and services on our platform;
- allegations, even if not supported by fact or based on isolated incidents, relating to cybersecurity events relating to our business operations or our unauthorized use, misuse or disclosure of personal information or other sensitive information;
- general economic and political conditions that may adversely affect a prospective customer's ability or willingness to adopt our products and services, delay a prospective customer's adoption decision, reduce the revenue that we generate from the use of our products and services or impact customer retention;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- sales tax and other tax determinations by authorities in the jurisdictions in which we conduct business;
- the impact of new accounting pronouncements;
- expenses incurred in connection with mergers, acquisitions or other strategic transactions and integrating acquired business, technologies, services, products and other assets; and
- fluctuations in share-based compensation expenses.

The occurrence of one or more of the foregoing and other factors may cause our operating results to vary significantly. As such, we believe that period-to-period comparisons of our operating results may not be meaningful and should not be relied upon as an indication of future performance. If we fail to meet or exceed the expectations of investors or securities analysts, then the trading price of our Class A Ordinary Shares and the ADSs could fall substantially, and we could face costly lawsuits, including securities class action suits.

Any failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our products and services.

Historically, we have relied on the adoption of our products and services by developers through our self-service portal as well as more targeted sales efforts. Our ability to further increase our customer base and achieve broader market acceptance of our platform will significantly depend on our ability to expand our marketing and sales operations. We plan to maintain a sufficient number of sales people both domestically and internationally. We also

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plan to dedicate significant resources to sales and marketing programs. All of these efforts will require us to invest significant financial and other resources and if they fail to attract additional customers and end users our business will be harmed.

We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and may take significant time before they achieve full productivity. Our new hires may not become productive as quickly as we expect, if at all, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, particularly if we continue to grow rapidly, new members of our sales force will have relatively little experience working with us, our products and platform, and our business model. If we are unable to hire and train sufficient numbers of effective sales personnel, our sales personnel do not reach significant levels of productivity in a timely manner, or our sales personnel are not successful in acquiring new customers and end users or expanding usage by existing customers and end users, our business will be harmed.

We believe that continued growth in our business is also dependent upon identifying, developing and maintaining strategic relationships with additional retail channels that can drive substantial revenue. If we fail to identify additional channel partners in a timely and cost-effective manner, or at all, or are unable to assist our current and future channel partners in independently selling and deploying our products and services, then our business, operating results, and financial condition could be adversely affected.

Any failure to offer high-quality developer and customer support may adversely affect our relationships with our developers and customers.

High quality, ongoing developer and customer support are critical to the successful marketing, sale and adoption of our products and services. Many of our customers depend on our customer support team to assist them in deploying our products and services effectively, help them resolve post-deployment issues quickly and provide ongoing support. As we grow our developer and customer base, we will need to further invest in and expand our developer and customer support teams, which could strain our resources and reduce profit margins. If we do not devote sufficient resources or otherwise do not help our developers and customers adopt our products and services, quickly resolve any post-implementation matters, and provide effective ongoing developer and customer support and training, our ability to expand sales to existing and future developers and customers and our reputation would be adversely affected. Our support teams will face additional challenges associated with our international operations, including those associated with delivering support and documentation in multiple languages. We might also face additional difficulties associated with providing customer support and warranties to our smart device distribution customers as we may not be able to control customer service terms of third party suppliers. Increased demand for developer and customer support, without corresponding revenue, could increase costs and adversely affect our business,

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operating results and financial condition. Any failure to maintain high-quality developer and customer support, or a market perception that we do not maintain high-quality developer and customer support, could adversely affect our reputation, business, operating results and financial condition.

We may be sanctioned or otherwise restricted from engaging in certain businesses due to heightened regulatory and public scrutiny, including in connection with our data processing practices and policies.

The level of regulatory and political scrutiny on technology companies in general, and companies whose businesses involve the processing of personal information in particular, has increased significantly recently and may continue to increase globally. Legislators have enacted, and may continue to enact, new laws or regulatory agencies may promulgate new rules or regulations that are adverse to our business, or they may view matters or interpret or enforce laws and regulations differently than they have in the past or in a manner adverse to our business. Such legislative or regulatory scrutiny or action may create or enhance different or conflicting obligations on us from one jurisdiction to another. Additionally, we have been in the past and may in the future be the subject of scrutiny and press attention. Any related claims, allegations and investigations, even if without merit, may be very expensive to defend or respond to, involve negative publicity, and substantial diversion of management time and effort. These events could also result in reputational harm, significant judgments, fines and remedial actions against us, or require us to change our business practices, make product or operational changes, or delay or preclude planned transactions, product launches or improvements, any of which could harm our business, reputation, financial condition, and operating results. For risks associated with our compliance with data privacy and data security laws in general, see “Risk Factors – Compliance with the rapidly evolving landscape of global data privacy and data security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of personal information, could damage our reputation and deter current and potential customers and end users from using our platform and products and services or subject us to significant compliance costs or penalties, which could materially and adversely affect our business, financial condition and results of operations.”

Our business depends on our strong reputation and the value of “Tuya” brand. If we are unable to maintain and enhance our Tuya brand and increase market awareness of Tuya and its products and services, our business, operating results and financial condition may be adversely affected.

We must maintain and enhance the “Tuya” brand identity and increase market awareness of Tuya-powered smart devices generally and our products and services. The successful promotion of our brand will depend on our efforts to achieve widespread acceptance of our platform and products and services, attract and retain customers and our ability to maintain our current market leadership and successfully differentiate our products and services from competitors. These efforts require substantial expenditures, and we anticipate that they will increase as our market becomes more competitive and as we expand into new markets. These

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investments in brand promotion and thought leadership may not yield increased revenue. To the extent they do, the resulting revenue still may not be enough to offset the increased expenses we incur. In addition, independent industry analysts often provide reviews of our products and competing products and services, which may significantly influence the perception of our products and services. If these reviews are negative or not as strong as reviews of our competitors' products and services, our brand may be harmed. Adverse publicity (whether or not justified) relating to events or activities attributed to us, members of our workforce, agents, or third parties we rely on, may tarnish our reputation and reduce the value of our brand. Our brand value also depends on our ability to provide secure and trustworthy products and services as well as our ability to protect and use end users' data in a manner that meets their expectations. In addition, any security incident, including one that results in unauthorized disclosure of sensitive data, could cause material reputational harm. Damage to our reputation and loss of brand equity may reduce demand for our products and services and thus have an adverse effect on our future financial results, as well as require additional resources to rebuild our reputation and restore the value of the brands and could also reduce the trading price of our Class A Ordinary Shares and the ADSs.

We could incur substantial costs in protecting or defending our intellectual property rights, and any failure to protect our intellectual property could adversely affect our business, operating results and financial condition.

Our success depends, in part, on our ability to protect our brand, trade secrets, trademarks, patents, domain names, copyrights and proprietary methods and technologies, whether registered or not, that we develop under patent and other intellectual property laws of China, the United States and other jurisdictions, so that we can prevent others from using our inventions and proprietary information. We currently rely on patents, trademarks, copyrights and trade secret law to protect our intellectual property rights. However, we cannot assure you that any of our intellectual property rights will not be challenged, invalidated or circumvented, or that our intellectual property will be sufficient to provide us with competitive advantages. In addition, we may be subject to allegation of infringement of other parties' proprietary rights, and other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damages. Because of the rapid pace of technological change, we cannot assure you that all of our proprietary technologies and similar intellectual property rights can be patented in a timely or cost-effective manner, or at all.

We maintain and facilitate certain technical measures and access control mechanisms internally to ensure secure access to our proprietary information by our employees and consultants. We also maintain internal policies requiring our employees and consultants to enter into confidentiality agreements to control access to our proprietary information. However, if our employees and consultants do not fully comply with these internal policies, such policies may not effectively prevent disclosure of our confidential information, and it may be possible for unauthorized parties to copy our software or other proprietary technology or information, or to develop similar software independently without our having an adequate remedy for unauthorized use or disclosure of our confidential information.

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In addition, the laws of some countries do not protect intellectual property and other proprietary rights to the same extent as the laws of the United States. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase.

Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary in the future to enforce our intellectual property rights, determine the validity and scope of our proprietary rights or those of others, or defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of significant resources, the narrowing or invalidation of portions of our intellectual property and have an adverse effect on our business, operating results and financial condition. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant's own intellectual property. Any of our patents, trade secrets, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation. We can provide no assurance that we will prevail in such litigation. In addition, our proprietary methods and technologies that are regarded as trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors and in these cases we would not be able to assert any trade secret rights against those parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position. To the extent that our employees or consultants use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions.

There can be no assurance that our particular ways and means of protecting our intellectual property and proprietary rights, including business decisions about when to file patent applications and trademark applications, will be adequate to protect our business or that our competitors will not independently develop similar technology. We could be required to spend significant resources to monitor and protect our intellectual property rights. If we fail to protect and enforce our intellectual property and proprietary rights adequately, our competitors might gain access to our technology and our business, operating results and financial condition could be adversely affected.

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Unauthorized or improper disclosures of personal information, cyber-attacks or other security incidents or data breaches that affect our networks or systems, or those of our cloud service providers or our customers, whether inadvertent or purposeful, could degrade our ability to conduct our business, compromise the integrity of our products and services, platform and data, result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data which could adversely affect our business, financial condition and results of operations.

We depend significantly on our technology infrastructure, IT systems, data and other equipment and systems to conduct virtually all of our business operations, ranging from our internal operations and research and development activities to our marketing and sales efforts and communications with our customers, end users, suppliers and business partners. In addition, our products and services collect and store data of customers and end users, some of which may involve sensitive information, including personal information, trade secrets and other proprietary information. Internal or external individuals or entities may attempt to penetrate our network security, or that of our platform, and to disrupt or cause harm to our business operations, including by sabotaging or misappropriating our personal or proprietary information or that of our customers, end users, employees, suppliers and business partners or to cause interruptions of our products and services and platform. Because the vulnerabilities and techniques used by such individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques, and we may not become aware in a timely manner of such a security breach, which could exacerbate any damage we experience.

While we take reasonable measures to protect the security of, and against unauthorized access to, our systems, as well as the security of personal information and proprietary information, it is possible that our security controls and other security practices we follow may not prevent the improper access to or disclosure of personal information or proprietary information. We also rely on systems provided by third parties, including our clients, which may also suffer security breaches or unauthorized access to or disclosure of personal information or proprietary information. Additionally, we depend on our employees and contractors to appropriately handle confidential and sensitive data, including customer data, and to deploy our IT resources in a safe and secure manner that does not expose our network systems to security breaches or the loss of data. Any data security incidents, including internal malfeasance by our employees, unauthorized access or usage, virus or similar breach or disruption of us or our service providers could result in loss of confidential or proprietary information or personal information, damage to our reputation, loss of customers and end users, litigation, regulatory investigations, fines, penalties and other liabilities. Accordingly, if our cybersecurity measures or those of our customers fail to protect against unauthorized access, attacks (which may include sophisticated cyberattacks), the compromise or mishandling of data, or other misconduct or malfeasance, including by computer hackers, employees, contractors, vendors, customers and business partners, as well as software bugs, human error or technical malfunctions, then our reputation, business, operating results and

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financial condition could be adversely affected. Cyberattacks and other security incidents aimed at our products could lead to third-party claims that our product failures have caused damages to our customers or end users.

We experience cyber-attacks of varying degrees and other attempts to gain unauthorized access to our systems from time to time, which may include by way of malware, phishing attacks, ransomware attacks, denial of service attacks, brute-force attacks or other means, any of which may result in disclosure of confidential information and intellectual property, defective products, production downtimes or compromised data, including personal information. Such cybersecurity threats and attacks that we may be subject to may take a variety of forms ranging from individuals or groups of hackers to sophisticated organizations, including state-sponsored actors and may even culminate in “mega breaches” targeted against cloud services and other hosted software. As the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these attacks or to implement adequate preventative measures. We anticipate that increase in the frequency and sophistication of cyber and other security threats, particularly with respect to breaches of IoT devices, and our customers’ increasing demands for cyber and other security protections and standards in our products, may cause us to incur additional costs to comply with such demands.

Any unauthorized access, acquisition, use or destruction of information we collect, store, transmit or otherwise process, the unavailability of such information or other disruptions of our ability to provide solutions to our clients or end users, regardless of whether it originates or occurs on our systems or those of third party service providers or clients, could expose us to significant liability under our contracts, regulatory actions, litigation, investigations, remediation obligations, damage to our reputation and brand, theft of intellectual property, supplemental disclosure obligations, loss of customer, consumer and partner confidence in the security of our applications, destruction of information, indemnity obligations, impairment to our business, and resulting fees, costs, expenses, loss of revenues and other potential liabilities and harms to our business. In addition, if a high profile security breach occurs within our industry, our customers and potential customers may lose trust in the security of our systems and information even if we are not directly affected.

Many statutory requirements, both in China, the U.S., the EU, as well as in other jurisdictions in which we operate, include obligations for companies to notify data protection authorities and individuals of security breaches involving certain personal information, which could result from breaches experienced by us or our external service providers. These laws are not consistent, and compliance in the event of a widespread data breach is difficult and may be costly. In addition, such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers or end users to lose confidence in the effectiveness of our data security measures. See “– Compliance with the rapidly evolving landscape of global data privacy and data security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of personal information, could damage our reputation and deter current and

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potential customers and end users from using our platform and products and services or subject us to significant compliance costs or penalties, which could materially and adversely affect our business, financial condition and results of operations.”

Our failure to maintain necessary permits and licenses to operate our business operations under applicable laws and regulations could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. Complying with such laws and regulations may require substantial expense, and any non-compliance may expose us to liability. We cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications. Regulatory authorities who have extensive authority to supervise and regulate the industry we operate in may not interpret relevant laws and regulations the way we do. In addition, as the regulatory regime for the IoT and related industries in China and other jurisdictions in which we operate continues to evolve, new laws, regulations and regulatory requirements are promulgated and implemented from time to time, and the interpretation and application of existing laws, regulations and regulatory requirements are subject to changes. We may be required to obtain approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. In the event of non-compliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. In the future, if we fail to obtain all the necessary approvals, licenses, permits and certifications required by relevant laws and regulations or if we are deemed to have conducted business operations requesting certain approvals, licenses, permits and certifications without having one, we may be subject to fines or the suspension of operations of the relevant business segments or facilities that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations. We may also experience adverse publicity arising from non-compliance with government regulations, which would negatively impact our reputation.

Furthermore, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or that the relevant government authorities will always, if ever, exercise their discretion in our favor. There may also be delays on the part of government authorities in reviewing our applications and granting approvals, whether due to the lack of human resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

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We may be involved in legal proceedings, litigations and disputes relating to alleged infringement of intellectual property rights, which could adversely affect our business, operating results and financial condition.

There is considerable patent and other intellectual property development activity in our industry. Our future success depends, in part, on not infringing the intellectual property rights of others. Our competitors or other third parties may in the future claim that our products and services or platform and underlying technology infringe on their intellectual property rights, and we may be found to be infringing on such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products and services, require us to develop alternative non-infringing technology or require that we comply with other unfavorable terms, any of which could have a material adverse effect on our business and results of operations. We may also be obligated to indemnify our customers or business partners in connection with any such litigation and to obtain licenses or modify our products and services or platform, which could further exhaust our resources. Even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business. Patent infringement, trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, could harm our brand, business, operating results and financial condition.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. We believe that there is, and will continue to be, intense competition for highly skilled management, technical, sales and other personnel with experience in the industries in which we operate. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill important positions, we may be unable to manage our business effectively, including the development, marketing and sale of our products and services, which could adversely affect our business, operating results and financial condition. 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.

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We may acquire or invest in business, technologies, services, products and other assets, which may divert our management's attention and result in the incurrence of debt or dilution to our shareholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions.

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our products and services, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties assimilating or integrating the businesses, technologies, products, personnel or operations of the acquired companies, particularly if the key personnel of the acquired company choose not to work for us, their products or services are not easily adapted to work with our platform, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. Acquisitions also may disrupt our business, divert our resources or require significant management attention that would otherwise be available for development of our existing business. Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

Negotiating these transactions can be time consuming, difficult and expensive, and our ability to complete these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if announced, may not be completed. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our existing shareholders;
- use cash that we may need in the future to operate our business;
- incur large charges or substantial liabilities;
- incur debt on terms unfavorable to us or that we are unable to repay;
- encounter difficulties retaining key employees of the acquired company or integrating diverse offerings or business cultures; or
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges. The occurrence of any of these foregoing could adversely affect our business, operating results and financial condition.

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Negative publicity about us, our products and services, operations and our directors, management and business partners may adversely affect our reputation and business.

We may, from time to time, receive negative publicity, including negative internet and blog postings, ratings or comments on social media platforms or through traditional media about our company, our business, our directors and management, our brands, our products and services, our suppliers or other business partners. Negative publicity about us, such as alleged misconduct by our employees, unauthorized use, misuse or release of personal information or other sensitive information, unethical business practices, or rumors relating to our business, management, employees, or our shareholders and affiliates, or negative publicity about other companies that use similar brand names as ours, can harm our reputation, business and results of operations. Any such allegations, even if not supported by facts or based on isolated incidents, may lead to inquiries, regulatory investigations or legal actions against us. Such actions could substantially damage our reputation and cause us to incur significant costs to defend ourselves. Certain of such negative publicity may be the result of malicious harassment or unfair competition by third parties. We may even be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to defend ourselves against such third-party conduct, and we may not be able to conclusively refute each of the allegations within a reasonable period of time, or at all.

We may receive complaints from our customers and end users on our products and services, pricing and customer support. If we do not handle customer complaints effectively, our brand and reputation may suffer, our customers and end users may lose confidence in us and they may reduce or cease their use of our products and services. Our success depends, in part, on our ability to generate positive customer feedback and minimize negative feedback on social media channels where existing and potential customers and end users seek and share information. If actions we take or changes we make to our products and services or platform upset these customers and end users, their online commentary could negatively affect our brand and reputation. Complaints or negative publicity about us, our products and services or platform could materially and adversely impact our ability to attract and retain customers and end users, our business, results of operations and financial condition.

Seasonality may cause fluctuations in our sales and operating results.

We have in the past experienced, and expect in the future to continue to experience, seasonal fluctuations in our revenue and sales from time to time as a result of the holiday season and customers' buying patterns. We have experienced lower growth in revenue in the first quarter as a result the reduced capacity of OEM customers located in China due to the Lunar New Year. As an illustration of such seasonality, we had approximately 3,000 customers who generated revenues ("revenue-generating customers") in the first quarter of 2021, decreasing from approximately 3,400 revenue-generating customers in the fourth quarter of 2020. Our revenue-generating customers then increased to approximately 3,700 in the second quarter of 2021. The rapid growth in our business has offset this seasonal trend to some extent,

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however, we expect the historical seasonality trends to continue to impact our results of operations and financial condition. As a result, our results of operations and the trading price of our Class A Ordinary Shares or the ADSs may fluctuate from time to time due to seasonality.

We face certain risks relating to the real properties that we lease.

We lease office spaces from third parties for our operations in China, the United States, India, Germany, and Japan. Any limitations on the leased properties, or lessors' title to such properties, may impact our use of the offices, or in extreme cases, result in relocation, which may in turn adversely affect our business operations. In addition, certain lease agreements of our leased properties in China have not been registered with the relevant PRC government authorities as required by PRC law. Therefore, we may be exposed to potential fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. Furthermore, certain lessors of our leased properties have not provided us with valid property ownership certificates or any other documentation proving their right to lease those properties to us. As of December 31, 2021, with respect to six leased properties in China with a gross floor area of approximately 4,505.5 square meters, we have not registered the respective lease agreements with the relevant PRC government authorities. With respect to five leased properties in China with a gross floor area of approximately 1,919.8 square meters, the lessors have not provided us with valid property ownership certificates. The foregoing properties represent only a small portion of the total gross floor area of our leased properties. As of the Latest Practicable Date, we are not aware of any material actions or claims raised by any third parties challenging our use of these properties we currently lease, nor have we received any notices from the PRC government authorities. If our lessors are not the owners of the properties or they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If leases are invalid, we may face the risk of moving out of the leased property.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our products and services, and could adversely affect our business, operating results and financial condition.

The future success of our business depends on the continued use of the internet as well as continued demand for smart devices and our products and services. The PRC and foreign governments have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. In addition, the national networks in China are connected to the internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the internet outside of China. We may face similar or other limitations in other countries in which we operate. We may not have access to alternative networks in the event of

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disruptions, failures or other problems with the internet infrastructure in China or elsewhere. In addition, the internet infrastructure in the countries in which we operate may not support the demands associated with continued growth in internet usage.

Changes in these laws or regulations could require us to modify our products and services in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally, or result in reductions in the demand for internet-based products and services such as our products and platform. In addition, the use of the internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality of service. The performance of the internet and its acceptance as a business tool has been adversely affected by “viruses,” “worms,” and similar malicious programs. If the use of the internet is reduced as a result of these or other issues, then demand for our products and services could decline, which could adversely affect our business, operating results and financial condition.

We may have insufficient computing resources, transmission bandwidth and storage space, which could result in disruptions and our business, results of operations and financial condition could be adversely affected.

Our operations are dependent in part upon transmission bandwidth provided by third-party telecommunications network providers, access to data centers to house our servers and other computing resources. There can be no assurance that we are adequately prepared for unexpected increases in bandwidth and data center demands by our customers and end users. The bandwidth and data centers we use may become unavailable for a variety of reasons, including service outages, payment disputes, network providers going out of business, natural disasters, networks imposing traffic limits, or governments adopting regulations that impact network operations. These bandwidth providers may become unwilling to sell us adequate transmission bandwidth at fair market prices, if at all. This risk is heightened where market power is concentrated with one or a few major networks. We also may be unable to move quickly enough to augment capacity to reflect growing traffic or security demands. Failure to put in place the capacity we require could result in a reduction in, or disruption of, service to our customers and ultimately a loss of those customers. Such a failure could result in our inability to acquire new customers demanding capacity not available on our platform. See also “– We rely upon third-party providers of cloud-based infrastructure to host our platform. Any disruption in the operations of these third-party providers, limitations on capacity or interference with our use could adversely affect our business, financial condition and results of operations.”

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Our products and services rely on the stable performance of servers, networks, IT infrastructure and data processing systems, and any disruption to such servers, networks, assets or systems due to internal or external factors could diminish demand for our products and services, harm our business, our reputation and results of operations and subject us to liability.

We rely in part upon the stable performance of our servers, networks, IT infrastructure and data processing systems for provision of our products and services. Disruptions to such servers, networks, assets or systems may occur due to internal or external factors, such as inappropriate maintenance, defects in the servers, cyber-attacks or other malicious attacks or hacks targeted at us, occurrence of catastrophic events or human errors. Such disruptions could result in negative publicity, loss of or delay in market acceptance of our products and services, loss of competitive position, lower customer retention or claims by customers for losses sustained by them, or loss, destruction or unauthorized use of, or access to, data (including personal information for which we may incur liability under applicable data protection laws). In such an event, we may need to expend additional resources to bring the incident to an end, mitigate the liability associated with the fallout of such incident, make notifications to regulators and individuals affected, replace damaged systems or assets, defend ourselves in legal proceedings and compensate customers or end users. In addition, we may not carry insurance to compensate us for any losses that may result from claims arising from disruption in servers. As a result, our reputation and our brand could be harmed, and our business, results of operations and financial condition may be adversely affected.

We may, from time to time, rely on intellectual properties that we license from third parties, including product designs that are integrated with our internally developed products.

We may, from time to time, rely on intellectual properties that we license from third parties, including third-party product design, which is used with certain of our products. We cannot be certain that our licensors are not infringing the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our products. Some of our agreements with our licensors may be terminated for convenience by them. If we are unable to continue to license any of these intellectual properties on commercially reasonable terms, we will face delays in releases of certain products or we will be required to re-design our products until equivalent, non-infringing design can be licensed or developed and integrated into our current products. This effort could take significant time (during which we would be unable to continue to offer our affected products) and expense and may ultimately not be successful. In addition, our inability to obtain certain licenses or other rights might require us to engage in litigation regarding these matters, which could have a material adverse effect on our business, results of operations, prospects, and financial condition.

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We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a material adverse effect on our business, results of operations, and financial condition.

As of the Latest Practicable Date, we are not party to any material legal or administrative proceedings. However, we or our directors, management, employees and shareholders have been, and may from time to time in the future be, subject to or involved in various claims, controversies, lawsuits, other legal and administrative proceedings and fines. Lawsuits and other administrative or legal proceedings can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. In addition, lawsuits and other legal and administrative proceedings may be costly and time consuming and may require a commitment of management and personnel resources that will be diverted from our normal business operations. There may also be negative publicity associated with litigation that could decrease customer acceptance of our product offerings, regardless of whether the allegations are valid or whether we are ultimately found liable. We may be involved in class action lawsuits in the United States in the future. Such lawsuits could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuits. For example, following the publication of our earnings release for the second quarter of 2021 in August 2021, a number of U.S. law firms have published similar investor alerts (the "**Investor Alerts**") regarding their investigations into potential claims against us on behalf of investors concerning whether we have "violated U.S. federal securities laws." The Investor Alerts referred to our falling share price after our earnings release published on August 18, 2021. As of the date of this prospectus, we have not been served any complaints and are not aware of any proceeding brought against us based on the foregoing allegations. We believe that the allegations made in the Investor Alerts are without merit and we have complied with our obligations under U.S. securities laws at all time. However, the mere threat of such claims and the costs associated with defending them could have a material adverse effect on business, results of operations and reputation. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

Our Directors or senior management members may be the subject of shareholder class action lawsuits that could affect our business, financial condition, results of operation, cash flows and reputation.

We anticipate that we or certain of our directors or officers may be a target for lawsuits in the future, including putative class action lawsuits brought by shareholders and lawsuits against our directors and officers as a result of their position in other public companies. We cannot assure you that our directors or officers and we will be able to prevail in their defense or reverse any unfavorable judgment on appeal, and our directors or officers and we may decide to settle lawsuits on unfavorable terms. Any adverse outcome of these cases, including any plaintiffs' appeal of the judgment in these cases, could result in payments of substantial

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monetary damages or fines, or changes to our business practices, and thus materially and adversely affect our business, financial condition, results of operation, cash flows, and reputation. In addition, we cannot assure you that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial performance.

We face inventory obsolescence, shortage or excess risks. Our results of operations could be materially harmed if we are unable to accurately manage our inventories.

Our inventories consist mainly of (i) modules and chips relating to our IoT PaaS business; and (ii) finished smart devices purchased from manufacturers as part of our smart device distribution business. As of December 31, 2019, 2020 and 2021, we had inventories, net of US\$23.0 million, US\$42.3 million and US\$62.6 million, respectively. For the same years, we recorded inventory write-downs of US\$0.3 million, US\$0.9 million and US\$2.7 million, respectively. For a more detailed discussion of our inventories, see "Financial Information – Discussion of Selected Items From the Consolidated Balance Sheets – Assets – Inventories, net."

Maintaining an optimal level of inventory is important for the success of our business. However, we are exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including, changes of customer needs and the inherent uncertainty of the success of product launches. We regularly track our inventory to keep it at a level sufficient to fulfill customers' orders. We also proactively assess changes in market conditions and pre-store strategic raw materials in anticipation of potential supply shortage. However, we cannot assure you that we can accurately predict these trends and events and avoid under-stocking or overstocking inventory, or that our inventory management measures will be implemented effectively so that we will not have significant levels of inventory obsolescence, shortage or excess. As a result of unforeseen or sudden events, we may experience slow movement of our inventories, fail to utilize or sell our inventories swiftly, or face the risk of inventory obsolescence, and our business, results of operations, financial condition and prospects may be adversely affected.

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

We intend to continue to make investments to the long-term operating and development of our business and may require additional funds. In particular, we may seek additional funds to develop new products and enhance our platform and existing products, expand our operations, including our sales and marketing efforts and our presence outside of China, improve our infrastructure or acquire complementary businesses, technologies, services, products 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

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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 and the ADSs. Any debt financing that we may secure in the future could involve restrictive 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. 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 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.

We are subject to the uncertainties associated with the tightening regulations on listing and securities offerings conducted overseas by China-based companies proposed and/or enacted in China and the U.S.

The PRC government authorities have been tightening their oversight and control over listings and offerings conducted overseas by Chinese companies and investment in overseas-listed China-based companies. For example, in January 2022, the CAC and several other administrations jointly promulgated the Cybersecurity Review Measures which provide, among other things, that a “network platform operator” holding over one million users’ personal information shall apply for a cybersecurity review when listing their securities “in a foreign country.” In November 2021, the CAC promulgated the Draft Cyber Data Security Regulation which states that a cybersecurity review will be required for a listing in foreign countries contemplated by a data processor who processes the personal information of at least one million users or the listing of a data processor in Hong Kong which affects or may affect the national security. Further, in December 2021, the CSRC has published draft new regulations designed to establish the filing requirements that shall be followed by “PRC domestic companies” that directly or indirectly issue or list their securities overseas.

To the extent we are required to obtain any approvals, complete any filings and/or other administrative procedures or satisfy any other regulatory requirements under the above-mentioned proposed laws and regulations or any new regulatory requirements in the PRC in order to maintain the listing status of the ADSs or conduct listing or offering of our securities overseas, we cannot assure you that we will be able to meet these requirements in a timely manner, or at all. The PRC regulatory agencies may also take further actions requiring us, or making it advisable for us, not to proceed with such securities offering or maintain the listing status of the ADSs. If we proceed with any future listing or offering of our securities without obtaining the required approval, completing the necessary filings or other administrative procedures, or satisfying other regulatory requirements, we may face fines and other regulatory actions imposed by competent PRC regulatory agencies, and our ability to raise capital could be significantly limited or hindered. See also “– The filing, approval or other administration requirements of the CSRC, the CAC or other PRC government authorities may be required in connection with the Global Offering under PRC law” and “– The uncertainties in the PRC legal system could materially and adversely affect us.”

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In addition, as part of a continued regulatory focus in the U.S. on access to audit and other information currently protected by national law in some jurisdictions, such as those in China, the U.S. Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law on December 18, 2020. According to the HFCAA and the related implementation rules adopted by the SEC, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. If this is to happen, our liquidity and ability to raise additional capital will be materially and adversely affected. See “– Risks Related to Doing Business in China – Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024, if the PCAOB is unable to inspect or fully investigate auditors located in China, or 2023, if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

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

As we continue to expand our international operations, we will become increasingly exposed to the effects of fluctuations in currency exchange rates. The majority of our cash generated from revenue is denominated in Renminbi, and our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations. Because we conduct business in currencies other than U.S. dollars but report our operating results in U.S. dollars, we also face translation exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and could impact our operating results. We recorded other comprehensive loss from foreign currency translation of US\$0.4 million in 2019, and other comprehensive income from foreign currency translation of US\$2.9 million and US\$1.5 million in 2020 and 2021, respectively.

The value of the Renminbi against the U.S. dollar and 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. 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 the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

We are a holding company and we rely on dividends paid by our WFOE in China for our cash needs. Any significant fluctuation of Renminbi against the U.S. dollar could adversely affect our business, operating results and financial condition, and the value of any dividends payable in U.S. dollars. To the extent that we need to convert U.S. dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the

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U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares and the ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount.

The fair value measurements of certain financial assets and liabilities inherently involve a certain degree of uncertainty, and any adverse movements in their fair value may directly affect our results of operations.

Some of our financial assets and liabilities are measured at fair value, such as the short-term investments and long-term investments measured at fair value. The fair value of short-term investments was US\$16.7 million, US\$21.0 million and US\$102.1 million as of December 31, 2019, 2020 and 2021, respectively. The fair value of long-term investments was nil, US\$0.6 million and US\$26.1 million as of December 31, 2019, 2020 and 2021, respectively. In 2019, 2020 and 2021, our fair value change on short-term and long-term investments amounted to nil, nil and US\$0.8 million, respectively. For financial reporting purposes, fair value measurements of these financial assets and liabilities are categorized into level 1, 2 or 3, based on, among other things, the observability and significance of the inputs used in the valuation technique. The fair value of financial assets and liabilities classified in levels 1 and 2 is determined based on observable inputs, while the determination of the fair value of level 3 financial assets and liabilities is based on valuation techniques and various assumptions of inputs that are unobservable which inherently involve a certain degree of uncertainty. See “Principal Accounting Policies” in Note 2 to the Accountant’s Report included in Appendix I to this prospectus for more information.

A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of these assets and liabilities. These factors include, but are not limited to, general economic conditions, 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 and cause the fair value of our financial assets and liabilities to fluctuate substantially, which may in turn have a material adverse effect on our financial position and results of operations. The fair value of our short-term investments and long-term investments measured at fair value are subject to changes beyond our control, and any adverse movements in their fair value may directly affect our results of operations. If the fair value of our short-term investments and long-term investments measured at fair value were to fluctuate, our business, financial condition and results of operations could be materially adversely affected.

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

We are exposed to credit risk related to defaults of our various customers. As of December 31, 2019, 2020 and 2021, our accounts receivable, net were US\$5.4 million, US\$12.3 million and US\$32.7 million, respectively. Our accounts receivable turnover days were 13, 19 and 29 in 2019, 2020 and 2021, respectively. See “Financial Information—Discussion of Selected Items from the Consolidated Balance Sheets—Accounts receivable, net” for more information. We may not be able to collect all such accounts receivable due to a variety of factors that are outside of our control. If the relationship between us and any of our customers is terminated or deteriorated, or if any of our customers experience financial difficulties to the extent it affects their ability to make timely payments, our corresponding accounts receivable might be adversely affected in terms of recoverability. Our accounts receivable balance may continue to grow alongside our business expansion, which may increase our risks for uncollectible receivable. If we are unable to timely collect our accounts receivable from our customers, our business, financial condition and results of operation may be materially and adversely affected.

If we fail to maintain proper and effective internal control over financial reporting, we may be unable to accurately or timely report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence and the market price of our Class A Ordinary Shares and the ADSs may be materially and adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, requires that we maintain internal control over financial reporting and disclosure controls and procedures. An effective internal control environment is necessary to enable us to produce reliable financial reports and is an important component of our efforts to prevent and detect financial reporting errors and fraud. We are a public company subject to the Sarbanes-Oxley Act of 2002. Section 404 requires that we include a report from management on the effectiveness of our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2022. In addition, once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. In addition, as we are now a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

In the course of preparing and auditing our consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. According to the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

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The material weakness identified relates to our lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge and experience to address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirements. We are in the process of implementing a number of measures to address the material weakness. See “Business – Risk Management and Internal Control.” However, we cannot assure you that these measures may fully address the material weakness in our internal control over financial reporting.

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

Our business is subject to the risks of earthquakes, fire, floods, pandemics and other natural catastrophic events, and to interruption by man-made problems such as power disruptions or terrorism.

A significant natural disaster, such as an earthquake, fire, flood or pandemic, occurring at our headquarters, at one of our local offices and facilities or where a business partner is located could adversely affect our business, operating results and financial condition. Further, if a natural disaster or man-made problem were to affect our service providers, this could adversely affect the ability of our customers and end users to use our products and services. In addition, natural disasters and acts of terrorism could cause disruptions in our or our customers’ businesses, national economies or the world economy as a whole, as is the case currently due to the COVID-19 pandemic. We also rely on our network and third-party infrastructure and enterprise applications and internal technology systems for our engineering, sales and marketing, and operations activities. In the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, operating results and financial condition.

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In addition, computer malware, viruses and computer hacking, fraudulent use attempts and phishing attacks have become more prevalent in our industry, have occurred on our platform and have impacted some of our customers in the past and may occur on our platform in the future. Any failure to maintain performance, reliability, security, integrity and availability of our products and services and technical infrastructure, including third-party infrastructure and services upon which we rely, may expose us to significant consequences, including legal and financial exposure and loss of customers and end users, and give rise to litigation, consumer protection actions, or harm to our reputation, and as a result, may hinder our ability to retain existing customers and end users and attract new customers and end users.

We have limited business insurance coverage, which could expose us to significant costs and business disruption.

Insurance products available in the PRC and many other markets in which we operate currently are not as extensive as those offered in more developed regions. Consistent with customary industry practice in the markets in which we operate, our business insurance is limited, and we do not carry key-man life insurance. Any uninsured damage to our facilities or technology infrastructures or disruption of our business operations could require us to incur substantial costs and divert our resources, which could have an adverse effect on our business, financial condition and results of operations. For more information, see “Business – Insurance.”

We have granted, and may continue to grant, share-based awards, which may increase our share-based compensation and may have an adverse effect on our results of operations.

We have adopted a share option scheme in December 2014 (the “**2015 Equity Incentive Plan**” or “**2015 Plan**,” as amended in July 2020 and February 2021). We account for compensation costs for all share-based awards using a fair-value based method and recognize expenses in our consolidated statements of comprehensive loss in accordance with U.S. GAAP. For details of the 2015 Plan, see “Appendix IV – Statutory and General Information – D. Equity Incentive Plan.” In 2019, 2020 and 2021, we recorded US\$5.2 million, US\$9.4 million and US\$66.1 million, respectively, in share-based compensation expenses, respectively. As of December 31, 2021, there were US\$195.1 million unrecognized share-based compensation expenses related to share options granted by us, which were expected to be recognized over a weighted-average vesting period of 1.56 years. As of December 31, 2021, there were US\$24.9 million unrecognized share-based compensation expenses related to RSUs granted by the Company, which were expected to be recognized over a weighted-average vesting period of 3.66 years. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, any ordinary shares that we issue under our 2015 Plan would dilute the percentage ownership held by public investors.

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The estimates of market opportunity, forecasts of market growth included in this prospectus may prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts included in this prospectus are subject to significant uncertainty and are based on assumptions and estimates that may prove to be inaccurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable companies or end users covered by our market opportunity estimates will purchase our products and services at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasted in this prospectus, our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry. The information has not been independently verified by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

RISKS RELATED TO OUR CORPORATE STRUCTURE AND THE CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the Consolidated Affiliated Entity.

Foreign ownership of telecommunication businesses is subject to restrictions under current PRC laws and regulations. For example, foreign investors are generally not allowed to own more than 50% of the equity interests in an information service provider or other value-added telecommunication service provider (other than operating e-commerce, domestic multi-party communication, storage and forwarding and call center) and the major foreign investor in a value-added telecommunication service provider in China must have experience in providing value-added telecommunications services overseas and maintain a good track record in accordance with the Encouraged Industries Catalog for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄(2020年版)》), the Special Administrative Measures for Foreign Investment Access (Negative List (2021)) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), and other applicable laws and regulations.

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As disclosed in the section headed “Contractual Arrangements” in this prospectus, it was not viable for our Company to hold Hangzhou Tuya Technology directly through equity ownership. Therefore, we may only conduct the business operations currently conducted by Hangzhou Tuya Technology through the Contractual Arrangements to comply with PRC laws and regulations.

We are a Cayman Islands company and currently conduct substantially all of our business operations in the PRC through Tuya Information, our wholly-owned subsidiary incorporated in the PRC. We are classified as a foreign enterprise under the PRC laws and regulations and our wholly foreign-owned enterprise in the PRC is a foreign-invested enterprise. To comply with the abovementioned restriction, we have, through Tuya Information, entered into a series of contractual arrangements with our Consolidated Affiliated Entity and the Registered Shareholders, respectively, which enable us to (i) exercise effective control over our Consolidated Affiliated Entity, (ii) receive substantially all of the economic benefits of our Consolidated Affiliated Entity, (iii) have the pledge right over the equity interests in our Consolidated Affiliated Entity as the pledgee; and (iv) have an exclusive option to purchase all or part of the equity interests in our Consolidated Affiliated Entity when and to the extent permitted by PRC law. As a result of these contractual arrangements, we have control over and are the primary beneficiary of our Consolidated Affiliated Entity and hence consolidate their financial results under U.S. GAAP. See “Contractual Arrangements” for further details.

In the opinion of our PRC Legal Advisor, Jia Yuan Law Offices, (i) the ownership structures of our WFOE and our Consolidated Affiliated Entity in China, both currently and immediately after giving effect to the Global Offering, are not in violation of provisions of applicable PRC laws and regulations currently in effect; and (ii) the contractual arrangements between our WFOE, our Consolidated Affiliated Entity and its shareholders governed by PRC law are not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such arrangements and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect (save as disclosed in “Contractual Arrangement – Legality of the Contractual Arrangements”). However, we have been further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Thus, the PRC government authorities may take a view contrary to the opinion of our PRC Legal Advisor. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structure will be adopted or if adopted, what they would provide. If we or our Consolidated Affiliated Entity is found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC government authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;

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- discontinuing or placing restrictions or onerous conditions on the operations of our Consolidated Affiliated Entity;
- placing restrictions on our right to collect revenues;
- shutting down our servers or blocking our app or websites; or
- requiring us to restructure our ownership structure or operations.

Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our financial condition and results of operations. 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, please see the paragraph headed “– Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and operations.” in this section. If occurrences of any of these events result in our inability to direct the activities of our Consolidated Affiliated Entity in China that most significantly impact its economic performance and/or our failure to receive the economic benefits and residual returns from our Consolidated Affiliated Entity, and we are unable to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our Consolidated Affiliated Entity in our consolidated financial statements in accordance with U.S. GAAP.

We rely on Contractual Arrangements with our Consolidated Affiliated Entity and the Registered Shareholders to use, or otherwise benefit from, certain licenses and approvals we may need in the future, 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 have relied and expect to continue to rely on Contractual Arrangements with our Consolidated Affiliated Entity and the Registered Shareholders to conduct a portion of our operations in China. These Contractual Arrangements, however, may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entity. For example, our Consolidated Affiliated Entity and its shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of our Consolidated Affiliated Entity in an acceptable manner or taking other actions that are detrimental to our interests.

If we had direct ownership of our Consolidated Affiliated Entity in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our Consolidated Affiliated Entity, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by our Consolidated Affiliated Entity and its shareholders of their obligations under the contracts to exercise control over our

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Consolidated Affiliated Entity. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the PRC legal system. See “– Any failure by our Consolidated Affiliated Entity or its shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on part of our business.”

Any failure by our Consolidated Affiliated Entity or its shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.

If our Consolidated Affiliated Entity or its shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For example, if the Registered Shareholders were to refuse to transfer their equity interests in our Consolidated Affiliated Entity to us or our designee when we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

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. See “– Risks Related to Doing Business in China – The uncertainties in the PRC legal system could materially and adversely affect us.” 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. There remain significant uncertainties regarding the ultimate outcome of such arbitration if legal action becomes necessary. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entity, and our business financial condition and results of operations may be negatively affected.

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

The Registered Shareholders may have actual or potential conflicts of interest with us. These shareholders may breach, or cause our Consolidated Affiliated Entity to breach, or refuse to renew, the existing contractual arrangements we have with them and our Consolidated Affiliated Entity, which would have a material and adverse effect on our ability to effectively control our Consolidated Affiliated Entity and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with our Consolidated Affiliated Entity to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. The Registered Shareholders have executed powers of attorney to appoint one of our WFOE or a person designated by one of our WFOE to vote on their behalf and exercise voting rights as shareholders of our Consolidated Affiliated Entity. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our Consolidated Affiliated Entity, we would have to rely on legal proceedings, which could result in disruption of part of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

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

RISK FACTORS

Contractual arrangements we have entered into with our Consolidated Affiliated Entity may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

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

We may lose the ability to use and benefit from assets held by our Consolidated Affiliated Entity that are material or supplementary to the operation of our business if our Consolidated Affiliated Entity goes bankrupt or becomes subject to dissolution or liquidation proceeding.

As part of our Contractual Arrangements with our Consolidated Affiliated Entity, such entity may in the future hold certain assets that are material or supplementary to the operation of our business. If our Consolidated Affiliated Entity goes bankrupt and all or part of its assets become subject to liens or rights of creditors, we may be unable to continue some or all of our business activities we currently conduct through the contractual arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our Consolidated Affiliated Entity may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If our Consolidated Affiliated Entity undergoes voluntary or involuntary liquidation proceeding, third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate part of our business, which could materially and adversely affect our business, financial condition and results of operations.

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

The value-added telecommunications services that we conduct through our Consolidated Affiliated Entity and its subsidiaries are subject to foreign investment restrictions set forth in the Special Administrative Measures for Foreign Investment Access (Negative List(2021)) (《外商投資准入特別管理措施(負面清單)》(2021年版)) (the “**Negative List (2021)**”) issued by the MOFCOM and the NDRC, and effective on January 1, 2022.

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law of the People’s Republic of China, or the Foreign Investment Law (《中華人民共和國外商投資法》), which became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Owned Enterprise Law to become the legal foundation for foreign investment in the PRC. Since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. 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. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities in the future. In addition, the definition of foreign investment contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws, administrative regulations or provisions of 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. If further actions shall be taken under future laws, administrative regulations or provisions of the State Council, we may face substantial uncertainties as to whether we can complete such actions. Failure to do so could materially and adversely affect our current corporate structure, corporate governance and operations.

RISKS RELATED TO DOING BUSINESS IN CHINA

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

The global macroeconomic environment is facing challenges, including the economic slowdown in the Eurozone, potential impact of the United Kingdom’s exit from the EU on January 31, 2020, and the adverse impact on the global economies and financial markets due to the COVID-19 pandemic. For example, most countries have encountered rising inflation, resulting in weakened consumers spending on smart devices. Furthermore, the growth of the PRC economy has slowed down since 2012 compared to the previous decade and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary

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monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine, Syria and North Korea. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes, and the trade disputes between the United States and China. The ongoing trade tensions between the United States and China may have tremendous negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

Economic conditions in China are sensitive to global economic conditions, changes in domestic economic and political policies, and the expected or perceived overall economic growth rate in China. While the economy in China has grown significantly over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing in recent years. There is a possibility that China's economic growth may materially decline in the near future. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

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

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. The growth may not continue, as evidenced by the slowing of the growth of the Chinese economy since 2012. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and

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results of operations, lead to a reduction in demand for our services and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

We are exposed to risks associated with international relations and geopolitical risks.

We are exposed to risks associated with international relations. Any unfavorable government policies, including those on investment restrictions or international trade, such as capital controls or tariffs or internal payment and settlement system, or geopolitical confrontation and conflicts, may affect the demand for our products, impact the competitive position of our products, prevent us from selling products in certain countries, or even our participation in international capital markets or the international payment and settlement system, any of which would materially and adversely affect our international operations, results of operations and financial condition. The cost of importing and/or exporting products to or from any major markets in which our customers operate increase as a result of the implementation of any major tariffs, legislation and/or regulations or regional conflicts or instability, or if existing trade agreements are renegotiated or, in particular, if any foreign government takes retaliatory trade actions due to trade tension between such government and China, such changes could have an adverse effect on our business, financial condition and results of operations. Moreover, any political or trade controversies between any major global economy and China, whether or not directly related to our business, could have a material adverse effect on our business operations, results of operations and growth prospects. In September 2021, three United States senators and other commentators expressed concern about our alleged failure to protect U.S. consumers' data, and some have urged the U.S. government to take actions against us, including adding us to the Non-SDN Chinese Military-Industrial Complex Company List, or the NS-CMIC List. We are not aware of any investigation, proceeding or other regulatory action by any U.S. government activity against us in this respect as of the date of this prospectus, and we believe the allegations against us are unfounded and without merit. However, if we were to be added to the NS-CMIC List, U.S. persons would be prohibited from purchasing or otherwise dealing in our publicly traded securities. This could affect the liquidity of our securities and could result in the delisting of the ADSs from U.S. markets. These various types of actions or government policies may cause investors to be unwilling to hold or buy our Class A Ordinary Shares and the ADSs and consequently cause the trading price of our Class A Ordinary Shares and the ADSs to decline.

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The uncertainties in the PRC legal system could materially and adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The past decades have seen the progressive legislation by the PRC government designed to enhance the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules may not be uniform and enforcement of these laws, regulations and rules involves uncertainties. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

The PRC government has significant oversight and discretion over the conduct of our business and may intervene with or influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that may adversely affect our industry and our business, and we cannot rule out the possibility that it will in the future further release regulations or policies regarding our industry that could further adversely affect our business, financial condition and results of operations. Furthermore, the PRC government has also recently indicated an intent to exert more oversight and control over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies like us. See “—We are subject to the uncertainties associated with the tightening regulations on listing and securities offerings conducted overseas by China-based companies proposed and/or enacted in China and the U.S.” In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the prospectus based on foreign laws.

We conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, some of our senior executive officers reside within China for a significant portion of the time and are PRC nationals. As a result, it may be difficult or

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impossible for our shareholders to effect service of process within Hong Kong upon us or these persons, to bring an action in Hong Kong against us or against these persons or their assets located in China, or seek to enforce a foreign judgment against us or these persons in Hong Kong courts. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

In particular, shareholder claims that are common in the United States, including securities law class actions and fraud claims, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. In the absence of mutual and practical cooperation mechanism, there has not been efficient regulatory cooperation between the local authorities in China and the securities regulatory authorities in the United States to implement cross-border supervision and administration so far. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. See also “– Risks Related to our Class A Ordinary Shares and the ADSs – You may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong or U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

On July 14, 2006, the Supreme People’s Court of the PRC 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**”). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People’s Court 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 (《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 greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement 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

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Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. 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.

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

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur. Our PRC subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of each of their registered capitals. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

To address the persistent capital outflow and the RMB's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China and the State Administration of Foreign Exchange, or SAFE, have implemented a series of capital control measures in the subsequent months, including stricter vetting procedures for China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, the Circular on Further Promoting the Reform of Foreign Exchange Management and Improving the Verification of Authenticity and Compliance Review (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the **"SAFE Circular 3"**), issued on January 18, 2017, provides that the banks shall, when dealing with dividend remittance transactions from domestic enterprise to its offshore shareholders of more than US\$50,000, review the relevant board resolutions, original tax filing form and audited financial statements of such domestic enterprise based on the principal of genuine transaction. The PRC government may continue to strengthen its capital controls and our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are tax residents. Pursuant to the tax agreement between Mainland China and the Hong Kong Special Administrative Region, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise (i) directly holds at least 25% of the PRC enterprise, (ii) is a tax resident in Hong Kong and (iii) could be recognized as a beneficial owner of the dividend from PRC tax perspective. Under administrative guidance, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Nonresident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary may be able to benefit from the 5% withholding tax rate for the dividends it receives from our PRC subsidiaries, if it satisfies the conditions prescribed under the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (the “**GuoShuihan [2009] 81**”), and other relevant tax rules and regulations. However, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future. Accordingly, there is no assurance that the reduced 5% will apply to dividends received by our Hong Kong subsidiary from our PRC subsidiaries. This withholding tax will reduce the amount of dividends we may receive from our PRC subsidiaries.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts 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 relevant PRC market regulation authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we

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generally have them stored in secured locations accessible only to authorized employees. However, such internal control procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees 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 Consolidated Affiliated Entity. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible 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 and divert management from our operations.

If the preferential tax treatments and government subsidies granted by PRC government become unavailable, our results of operation and financial condition may be adversely affected.

Our PRC subsidiaries are subject to the PRC corporate income tax at a standard rate of 25% on their taxable income, while in 2019, 2020 and 2021, preferential tax treatment was available to one PRC subsidiary. Tuya Information renewed its “High-tech Enterprise” certificate in 2021, which allowed it to apply an income tax rate of 15% for the three years ended December 31, 2022, 2023 and 2024.

We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to the PRC enterprise income tax, or EIT, at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may restrict or delay us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries and making loans to our Consolidated Affiliated Entity or its subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and our Consolidated Affiliated Entity. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entity subject to the approval from government authorities and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries in China.

Any loans to our PRC subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries in China to finance their

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activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

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, or SAFE Circular 19, effective June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net proceeds from the Global Offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

On October 23, 2019, SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment, or Circular 28, which took effect on the same day. Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

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In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or Consolidated Affiliated Entity or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or Consolidated Affiliated Entity when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from the Global Offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries and Consolidated Affiliated Entity to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Class A Ordinary Shares and the ADSs.

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The filing, approval or other administration requirements of the CSRC, the CAC or other PRC government authorities may be required in connection with the Global Offering under PRC law.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the SAT, the State Administration for Industry and Commerce, or the SAIC, the CSRC, and the State Administration of Foreign Exchange, or the 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. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. 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, Jia Yuan Law Offices, that the CSRC approval abovementioned is not required in the context of the Global Offering because (1) our wholly foreign-owned PRC subsidiaries were not established through mergers or acquisitions of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company; and (2) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. There can be no assurance that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC Legal Advisor. Furthermore, the PRC government authorities may strengthen oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. Such actions taken by the PRC government authorities may intervene our operations at any time, which are beyond our control. For instance, the relevant PRC governments promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) (the “**Opinions**”), among which, it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of domestic industry competent authorities and regulatory authorities. However, the Opinions were only issued recently, leaving uncertainties regarding the interpretation and implementation of these opinions. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us.

On December 24, 2021, the CSRC published the draft Regulations of the State Council on the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見

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稿)》) (the “**Administrative Provisions**”) and the draft Measures for the Record-Filing of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Filing Measures**”) for public comments. Pursuant to these drafts, “PRC domestic companies” that directly or indirectly issue or list their securities overseas shall file with CSRC certain required documents. More specifically, a “PRC domestic company” that seeks an initial public offering overseas, or a “PRC domestic company” already listed overseas who seeks to list its securities in another overseas market, shall file the required documents with the CSRC within three (3) business days after submitting the application documents for the foregoing transactions. “PRC domestic companies” are defined to include both (i) PRC companies limited by shares, and (ii) offshore-incorporated companies whose main business operations are in China that seek issuance of shares and listing overseas based on their onshore equity, assets or similar interests. As of the date of this prospectus, it remains uncertain when the final Administrative Provisions and Filing Measures will be adopted and whether they will be adopted in the current draft form. If the Administrative Provisions and Filing Measures are adopted in the current form, we may be required to file the relevant documents with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Failure to complete the filing under the Administrative Provisions and Filing Measures may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. In the event of a serious violation of the Administrative Provisions, the PRC domestic company may be ordered to discontinue the related business or suspend its operations for rectification, and its permits or business licenses may be revoked.

As of the Latest Practicable Date, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection to the Global Offering from the CSRC, the CAC, or any other PRC regulatory agencies that have jurisdiction over our operations. If the CSRC, the CAC, or other PRC regulatory authorities subsequently determines that we need to obtain their approval or complete the required filing for the Global Offering, or if such government authorities promulgate any interpretation or implement rules that would require us to obtain approvals from the CSRC, the CAC or other regulatory authorities or complete required filing for the Global Offering, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing, or obtain any waiver of aforesaid requirements if and when procedures are established to obtain such waiver. Any failure to obtain or delay in obtaining such approval or completing such filing for the Global Offering, or a rescission of any such approval obtained by us, could subject us to sanctions by the CSRC, the CAC, or other PRC regulatory agencies for failure to seek approval or other governmental authorization or complete the necessary filing for the Global Offering. In any such event, these regulatory authorities may also impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from the Global Offering into the PRC or take other actions that could adversely affect our business, operating results and financial condition, as well as our ability to complete the Global Offering. The CSRC, the CAC or any other PRC government authorities may also take actions requiring us, or making it advisable for us, to halt the Global Offering before settlement and delivery of our Class A Ordinary Shares offered by this prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that

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such settlement and delivery may not occur. Any uncertainties or negative publicity regarding such approval requirements could materially and adversely affect the trading price of our Class A Ordinary Shares and the ADSs.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

Among other things, the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the NPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. In addition, PRC national security review rules which became effective in September 2011 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the competent government authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

We are required under PRC laws and regulations to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations, and we cannot assure you that we are able to make adequate contribution for each employee in a timely and appropriate manner at all time. If we fail to make adequate employee benefit payments, we may be subject to fines, late fees and legal sanctions, and our business, financial conditions and results of operations may be adversely affected.

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PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose 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融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”), to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular No. 37. SAFE Circular No. 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular No. 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

SAFE Circular No. 37 requires registration with, and approval from, Chinese government authorities in connection with direct or indirect control of an offshore entity by PRC residents. The term “control” under SAFE Circular No. 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in the offshore special purpose vehicles, or SPVs, by means of acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”) which became effective on June 1, 2015. Under Circular 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular No. 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

These regulations may have a significant impact on our present and future structuring and investment. We intend to structure and execute our future offshore acquisitions in a manner consistent with these regulations and any other relevant legislation. However, because it is presently uncertain how the SAFE regulations and any future legislation concerning offshore or cross-border transactions will be interpreted and implemented by the relevant government authorities in connection with our future offshore financings or acquisitions, we cannot provide any assurances that we will be able to comply with, qualify under, or obtain any approvals required by the regulations or other legislation. Furthermore, we cannot assure you that any PRC shareholders of our company or any PRC company into which we invest will be able to comply with those requirements. Any failure or inability by such individuals or entities to

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comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they obtain the incentive shares or exercise the share options. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options are or will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See “Regulation – Regulation Relating to Employee Equity Incentive Plan.”

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

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) and its implementation rules, an enterprise established outside of the PRC with its “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “**SAT Circular 82**”), which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe our company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our company or any of our offshore subsidiaries is a PRC resident enterprise for enterprise income tax purposes, our company or the relevant offshore subsidiaries will be subject to PRC enterprise income on its worldwide income at the rate of 25%. Furthermore, if we are treated as a PRC tax resident enterprise, we will be required to withhold a 10% tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of Class A Ordinary Shares and the ADSs. In

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addition, non-resident enterprise shareholders (including holders of our Class A Ordinary Shares and the ADSs) may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of Class A Ordinary Shares and/or the ADSs, if such gain is treated as derived from a PRC source.

Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including the holders of Class A Ordinary Shares and the ADSs) and any gain realized on the transfer of Class A Ordinary Shares and/or the ADSs by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether our non-PRC shareholders would, in practice, be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Class A Ordinary Shares and the ADSs.

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

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7, which came into effect on February 3, 2015, but will also apply to cases where their PRC tax treatments are not yet concluded. SAT Bulletin 7 redefines the applicable scope to expand the subject of the indirect share transfers to China taxable assets which includes equity investments in PRC resident enterprises, assets of Chinese establishment and immoveable properties in China. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable asset in China indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity whose equity is transferred, may report such Indirect Transfer to the relevant tax authority. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes,

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currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

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 subsidiaries and 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 SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our company that do not qualify for the public securities market safe harbor by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Regulation and censorship of information disseminated over the internet in China may adversely affect our business and reputation and subject us to liability for information displayed on our website.

China has enacted laws and regulations governing Internet access and the distribution of products, services, news, information, audio-video programs and other content through the Internet. In the past, the PRC government has prohibited the distribution of information through the internet that it deems to be in violation of PRC laws and regulations. If any of the information offered on our platform was deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.

The audit report included in our annual report filed with the SEC is prepared by an accounting firm that is not inspected by the PCAOB and, as such, our investors are deprived of the benefits of such inspection.

Our audit report included in our annual report filed with the SEC is prepared by an accounting firm that is not inspected by the PCAOB. Companies that are publicly traded in the United States must have their financial statements audited by an independent public accounting firm registered with the PCAOB. This lack of the PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our auditor. As a result, we and investors in the ADSs are deprived of the benefits of such PCAOB inspections, which could cause investors in our Class A Ordinary Shares or the ADSs to lose confidence in our audit procedures and the quality of our financial statements.

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Our ADSs will be prohibited from trading in the United States under the Holding Foreign Companies Accountable Act, or the HFCAA, in 2024, if the PCAOB is unable to inspect or fully investigate auditors located in China, or 2023, if proposed changes to the law are enacted. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCAA, was signed into law on December 18, 2020. The HFCAA states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection for the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong. The PCAOB identified our external auditor as one of the registered public accounting firms that the PCAOB is unable to inspect or investigate completely.

The HFCAA requires the SEC to identify and maintain a list of U.S. listed companies whose audit reports are prepared by auditors that the PCAOB is unable to inspect or investigate completely because of restrictions imposed by the authorities in the foreign jurisdiction. The SEC has begun identifying issuers pursuant to the HFCAA, and those companies included in the “Conclusive list of issuers identified under the HFCAA” are now formally subject to the delisting provisions if they remain on the list for three consecutive years. On May 26, 2022, we were conclusively identified by the SEC under the HFCAA as having filed audit reports issued by a registered public accounting firm that cannot be inspected or investigated completed by the PCAOB in connection with our filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, which, if signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA from three years to two. On February 4, 2022, the U.S. House of Representatives passed the America COMPETES Act of 2022, which contained, among other things, an identical provision. However, the America COMPETES Act includes a broader range of legislation not related to the HFCAA in response to the U.S. Innovation and Competition Act passed by the U.S. Senate in 2021. The U.S. House of Representatives and U.S. Senate will need to agree on amendments to these respective bills to align the legislation and pass their amended bills before the U.S. President can sign into law. It is unclear when the U.S. Senate and U.S. House of Representatives will resolve the differences in the U.S. Innovation and Competition Act and the America COMPETES Act of 2022 bills currently passed, or when the U.S. President will sign on the bill to make the amendment into law, or at all. If the bill amending the HFCAA is enacted into law and the number of consecutive non-inspection years required for triggering the prohibitions under the HFCAA is reduced from three years to two, then our shares and ADSs could be prohibited from trading in the United States in 2023.

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The HFCAA or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. Additionally, whether the PCAOB will be able to conduct inspections of our external auditor before the issuance of our financial statements on Form 20-F for the year ended December 31, 2023, which is due by April 30, 2024, or at all, is subject to substantial uncertainty and depends on a number of factors out of our and our auditor's control. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. Such a prohibition would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

RISKS RELATED TO THE WVR STRUCTURE

The concentration of our Share's voting power limited our Shareholders' ability to influence corporate matters.

Our Company is controlled through weighted voting rights. Each Class A Ordinary Share carries only one fifteenth of the voting rights of each Class B Ordinary Share and one tenth of the voting rights of each Class B Ordinary Shares after amendment of our Articles in the Post-Listing GM (except as required by applicable law and in relation to the Reserved Matters). Immediately upon the completion of Global Offering, the WVR Beneficiaries will be Mr. Wang and Mr. Chen. Mr. Wang and Mr. Chen will beneficially own 63,000,000 Class A Ordinary Shares and 79,400,000 Class B Ordinary Shares, representing (i) approximately 75.34% of the voting rights in our Company (assuming the Over-allotment Option is not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share and (ii) approximately 67.62% of the effective voting rights in our Company, assuming that Class A Ordinary Shares entitle the Shareholder to one vote per share and the exercise of voting rights attached to Class B Ordinary Shares will be capped at ten votes per share. Mr. Wang and Mr. Chen therefore have significant influence over management and affairs of the Company and over all matters requiring shareholder approval, including the election of Directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transactions, such as a mergers, consolidations, liquidations and the sale of all or substantially all of our assets, and other significant corporate actions. In addition, the issuance of the Class A Shares, including future stock-based acquisition transactions and employee equity incentive programs, could prolong the duration of the WVR Beneficiaries' ownership of our voting power immediately after the completion of the Global Offering and their ability to determine the outcome of most matters submitted to a vote of our Shareholders. For further details about our shareholding structure, see the section headed "Share Capital – WVR Structure" of this prospectus. This concentrated control limits or severely restricts our Shareholders' ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not

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view as beneficial. As a result, the market price of our Class A Ordinary Shares or the ADSs could be adversely affected. This concentrated control could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class B Ordinary Shares may view as beneficial, and may also discourage, delay, or prevent a change of control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their Shares as part of a sale of our Company and may reduce the price of our Class A Ordinary Shares or the ADSs.

Our dual-class voting structure may render our securities ineligible for inclusion in certain stock market indices, and thus adversely affect the trading price and liquidity of our Class A Ordinary Shares or the ADSs.

We cannot predict whether our dual-class share structure with different voting rights will result in a lower or more volatile market price of our Class A Ordinary Shares or the ADSs, in adverse publicity, or other adverse consequences. Certain index providers have announced restrictions on including companies with multi-class share structures in certain of their indices. For example, S&P Dow Jones and FTSE Russell have changed their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. As a result, our dual-class voting structure may prevent the inclusion of our securities in such indices, which could adversely affect the trading price and liquidity of our securities. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structure and our dual-class structure may cause shareholder advisory firms to publish negative commentary about our corporate governance, in which case the market price and liquidity of our Class A Ordinary Shares or the ADSs could be adversely affected.

RISKS RELATED TO OUR CLASS A ORDINARY SHARES AND THE ADSs

The price and trading volume of our Class A Ordinary Shares and the ADSs may be volatile, which could lead to substantial losses to investors.

The trading price of the ADSs has been volatile since the ADSs started to trade on the NYSE on March 18, 2021. The trading price of the ADSs could continue to fluctuate widely due to factors beyond our control. The trading price of our Class A Ordinary Shares, likewise, can be volatile for similar or different reasons. In particular, the business and performance and the market price of the shares of other companies engaging in similar business to ours or those with operations located mainly in China that have listed their securities in Hong Kong or the United States may affect the price and trading volume of our Class A Ordinary Shares and the ADSs. In addition to market and industry factors, the price and trading volume of our Class A Ordinary Shares and the ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings, or cash flow;

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- fluctuations in operating metrics;
- announcements of new investments, acquisitions, strategic partnerships, capital raisings or capital commitments or joint ventures by us or our competitors;
- announcements of new solutions and services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental negative publicity about us, our competitors or our industry;
- announcements of new regulations, rules or policies relevant to our business;
- additions or departures of key personnel;
- allegations of a lack of effective internal control over financial reporting, inadequate corporate governance policies, or allegations of fraud, among other things, involving China-based issuers;
- our major shareholders' business performance and reputation;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- regulatory developments affecting us or our industry;
- political or trade tensions between the United States and China;
- potential litigation or regulatory investigations;
- fluctuations of exchange rates among Renminbi, the Hong Kong Dollar and the U.S. dollar; and
- sales or perceived potential sales of additional Class A Ordinary Shares or ADSs.

Any of these factors may result in large and sudden changes in the volume and price at which our Class A Ordinary Shares or the ADSs will trade. Furthermore, the stock exchanges on which our Class A Ordinary Shares and the ADSs are traded in general experience price and volume fluctuations that are often unrelated or disproportionate to the operating performance of companies like us. These broad market and industry fluctuations may adversely affect the market price of our Class A Ordinary Shares or the ADSs.

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

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our securities, the market price for our Class A Ordinary Shares and the ADSs and trading volume could decline.

The trading market for our Class A Ordinary Shares and the ADSs depends in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Class A Ordinary Shares or the ADSs or publishes inaccurate or unfavorable research about our business, the market price for our Class A Ordinary Shares or the ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Class A Ordinary Shares or the ADSs to decline.

Substantial future sales or perceived sales of our Class A Ordinary Shares or the ADSs in the public market following the Global Offering could materially and adversely affect the price of our Class A Ordinary Shares or the ADSs.

Sales of our Class A Ordinary Shares or the ADSs in the public market, or the perception that these sales could occur, could cause the market price of our securities to decline. Shares held by our existing shareholders may be available for sale subject to the volume and other restrictions as applicable provided in Rules 144 and 701 under the Securities Act and the applicable lock-up agreements, including those entered into in connection with the Global Offering. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our Class A Ordinary Shares or the ADSs.

Techniques employed by short sellers may drive down the market price of our Class A Ordinary Shares or the ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. Short sellers hope to profit from a decline in the price of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as short sellers expect to pay less in that purchase than it received in the sale. As it is in the short

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sellers' interest for the price of the security to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a security short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or enforcement actions by the SEC or other U.S. authorities. It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which we can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact our business operations, and any investment in our Class A Ordinary Shares or the ADSs could be greatly reduced or even rendered worthless.

Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on a price appreciation of our Class A Ordinary Shares or the ADSs for a return on your investment.

We do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Class A Ordinary Shares or the ADSs as a source for any future dividend income. Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Class A Ordinary Shares or the ADSs will likely depend entirely upon any future price appreciation of such securities. There is no guarantee that our Class A Ordinary Shares or the ADSs will appreciate in value after the Global Offering or even maintain the price at which you purchased them. You may not realize a return on your investment in our Class A Ordinary Shares or the ADSs and you may even lose your entire investment.

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Holders of the ADSs may not have the same voting rights as the holders of our Class A Ordinary Shares and may not be able to exercise their right to direct how our Class A Ordinary Shares represented by the ADSs are voted.

Holders of the ADSs do not have the same rights as our registered shareholders. Holders of the ADSs will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings and will only be able to exercise the voting rights that are carried by the underlying Class A Ordinary Shares represented by the ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, holders of the ADSs may vote only by giving voting instructions to the depositary. If we instruct the depositary to ask holders of the ADSs for their instructions, then upon receipt of voting instructions from holders of the ADSs, the depositary will try, as far as practicable, to vote the underlying Class A Ordinary Shares represented by the ADSs in accordance with the instructions. If we do not instruct the depositary to ask holders of the ADSs for their instructions, the depositary may still vote in accordance with instructions give, but it is not required to do so. Holders of the ADSs will not be able to directly exercise their right to vote with respect to the Class A Ordinary Shares represented by the ADSs unless holders of the ADSs withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under the Articles, the minimum notice period required to be given by our company to our registered shareholders for convening a general meeting is seven business days.

When a general meeting is convened, holders of the ADSs may not receive sufficient advance notice of the meeting to surrender their ADSs for the purpose of withdrawal of our Class A Ordinary Shares represented by such ADSs and become the registered holder of such shares to allow them to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under the Articles, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent holders of the ADSs from surrendering ADSs for the purpose of withdrawing our Class A Ordinary Shares represented by such ADSs and becoming the registered holder of such shares prior to the record date, so that they would not be able to attend the general meeting or to vote directly. If we ask for instructions, the depositary will notify holders of the ADSs of the upcoming vote and will arrange to deliver our voting materials to them. We have agreed to give the depositary at least 40 days' prior notice of shareholder meetings. Nevertheless, there is no guarantee that holders of the ADSs will receive the voting materials in time to ensure that holders of the ADSs can instruct the depositary to vote the Class A Ordinary Shares represented by their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out voting instructions from holders of the ADSs. This means that holders of the ADSs may not be able to exercise their right to direct how our Class A Ordinary Shares represented by their ADSs are voted and they may have no legal remedy if our Class A Ordinary Shares represented by their ADSs are not voted as they have requested.

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

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by the Articles, the Companies Act of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in Hong Kong or some jurisdictions in the United States. In particular, the Cayman Islands have a less developed body of securities laws than Hong Kong or the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. Moreover, while under Delaware law, controlling shareholders owe fiduciary duties to the companies they control and their minority shareholders, under Cayman Islands law, our controlling shareholders do not owe any such fiduciary duties to our company or to our minority shareholders. Accordingly, our controlling shareholders may exercise their powers as shareholders, including the exercise of voting rights in respect of their shares, in such manner as they think fit.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the Articles, the register of mortgages and charges and any special resolutions passed by shareholders) or to obtain copies of lists of shareholders of these companies. To the extent permissible under the articles of associations which shall be in compliance with Listing Rules, our directors have discretion under our articles of association to determine the closure of the register of members. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

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

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

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. In the absence of mutual and practical cooperation mechanism, there has not been efficient regulatory cooperation between the local authorities in China and the securities regulatory authorities in the United States to implement cross-border supervision and administration so far. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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

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

Holders of the ADSs may not receive cash dividends if the depositary decides it is impractical to make them available to such holders.

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

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

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

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

If owners or holders of the ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, owners or holders of the ADSs may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have, including outcomes that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial. No condition, stipulation or provision of the deposit agreement or the ADSs serves as a waiver by any owners or holders of the ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.

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Holders of the ADSs may experience dilution of their holdings due to the inability to participate in rights offerings.

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

Holders of the ADSs may be subject to limitations on the transfer of the ADSs.

The ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems it expedient in connection with the performance of its duties. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of the ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies, including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we remain an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

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Our currently effective Articles give us power to take certain actions that could discourage a third party from acquiring us, which could limit our Shareholders' opportunity to sell their Shares, including Class A Ordinary Shares and the ADSs, at a premium.

Our currently effective Articles contain provisions to limit the ability of others to acquire control of our Company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our Shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our Company in a tender offer or similar transaction. Our Board has the authority, without further action by our Shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our Class A Ordinary Shares, including Class A Ordinary Shares represented by ADSs under the current effective Articles (before the amendments to our Articles as further particularized below become effective). Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our Company or make removal of management more difficult. If our Board decides to issue preferred shares, the price of our Class A Ordinary Shares or the ADSs may fall and the voting and other rights of the holders of our Class A Ordinary Shares and the ADSs may be materially and adversely affected.

However, our exercise of any such power that may limit the ability of others to acquire control of our Company or cause us to engage in change-of-control transactions under our Articles after the Global Offering will be subject to our overriding obligations to comply with all applicable Hong Kong laws and regulations, the Listing Rules, and the Codes on Takeovers and Mergers and Share Buy-backs. We will at the Post-Listing GM, propose to our Shareholders certain amendments to our Articles, including removing the Directors' powers under the Articles to authorize the division of shares into any number of classes and to determine the relative rights, restrictions, preferences, privileges and payment obligations as between the different classes and to issue preferred shares with such preferred or other rights which may be greater than the rights of ordinary shares, as well as making the Directors' power to issue preferred shares to be subject to the Articles, compliance with the Listing Rules (and only to such extent permitted thereby) and the Takeovers Code and any applicable rules and regulations of authorities of places where the securities of the Company are listed, and the condition that (x) no new class of shares with voting rights superior to Class A Ordinary Shares will be created and (y) any variation in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A Ordinary Shares. For a more detailed discussion on the proposed amendments to our currently effective Articles, please see the paragraph headed "Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company" in this prospectus.

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We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our shareholders. For details, see “Future Plans and Use of Proceeds – Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

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

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

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

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

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We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company” as such term is defined under as the JOBS Act of the United States.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and NYSE, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.07 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth company”, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

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

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As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the NYSE corporate governance listing standards.

As a Cayman Islands exempted company listed on the NYSE, we are subject to corporate governance listing standards of NYSE. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. We have followed Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the NYSE that listed companies must have: (i) a majority of independent directors; (ii) the establishment of a nominating/corporate governance committee composed entirely of independent directors; and (iii) a compensation committee composed entirely of independent directors. To the extent that we choose to follow home country practice, our shareholders may be afforded less protection than they otherwise would enjoy under NYSE corporate governance listing standards applicable to U.S. domestic issuers.

You should read the entire prospectus carefully, and we caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

Subsequent to the date of this prospectus but prior to the completion of the Global Offering, there may be press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. 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 prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong when making your investment 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 Global Offering 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

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publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

Your investment in our Class A ordinary shares or ADSs may be impacted if we are encouraged to issue CDRs in the future.

PRC government authorities have issued new rules that allow PRC technology companies listed outside China to list on the mainland stock market through the creation of Chinese Depositary Receipts, or CDRs. However, as the CDR mechanism is newly established, there are substantial uncertainties in the interpretation and implementation of these rules. We might consider and be encouraged by the evolving PRC governmental policies to issue CDRs and allow investors to trade our CDRs on PRC stock exchanges in the future. However, there are uncertainties as to whether a pursuit of CDRs in China would bring positive or negative impact on your investment in our Class A ordinary shares or ADSs.

RISKS RELATED TO THE GLOBAL OFFERING AND THE DUAL LISTING

Consummation of the Global Offering is subject to market and other conditions, and there can be no assurance that it will be completed on the terms described in this prospectus, or at all.

Acceptance of all applications for Offer Shares will be conditional on (i) the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Class A Ordinary Shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date; (ii) the pricing of the Offer Shares having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, and (iii) certain other conditions as described in “Structure of the Global Offering”.

The satisfaction of these conditions is subject to market conditions and our compliance with applicable listing rules. For example, if with reference to the Public Offer Price and International Offer Price to be determined on the Price Determination Date, the expected market capitalization of the Company at the time of the Listing will not exceed HK\$10 billion (i.e. the market capitalization requirements of a listing applicant seeking listing with WVR structure under Rule 8A.06(2) of the Listing Rules), the Global Offering will not proceed. For illustration purpose, based on the number of Offer Shares initially available under the Global Offering (i.e. 7,300,000 Offer Shares), the Public Offer Price and International Offer Price shall be HK\$17.29 or more per Offer Share to meet the market capitalization requirements of HK\$10 billion under Rule 8A.06(2) of the Listing Rules. If any of the conditions to the Global Offering is not satisfied, due to our failure to meet the aforesaid Rule 8A.06(2) requirements or any other reasons, prior to the dates and times specified, the Global Offering will not proceed and will lapse. In such a situation, all application monies will be refunded, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies.” For more information, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus.

RISK FACTORS

An active trading market for our Class A Ordinary Shares on the Hong Kong Stock Exchange might not develop or be sustained and trading prices of our Class A Ordinary Shares might fluctuate significantly.

Following the completion of the Global Offering, we cannot assure you that an active trading market for our Class A Ordinary Shares on the Hong Kong Stock Exchange will develop or be sustained. The trading price or liquidity for the ADSs on the NYSE might not be indicative of those of our Class A Ordinary Shares on the Hong Kong Stock Exchange following the completion of the Global Offering. If an active trading market of our Class A Ordinary Shares on the Hong Kong Stock Exchange does not develop or is not sustained after the Global Offering, the market price and liquidity of our Class A Ordinary Shares could be materially and adversely affected.

In 2014, the Hong Kong, Shanghai, and Shenzhen stock exchanges collaborated to create an inter-exchange trading mechanism called Stock Connect that allows international and PRC investors to trade eligible equity securities listed in each other's markets through the trading and clearing facilities of their home exchange. Stock Connect currently covers over 2,000 equity securities trading in the Hong Kong, Shanghai, and Shenzhen markets. Stock Connect allows PRC investors to trade directly in eligible equity securities listed on the Hong Kong Stock Exchange, known as Southbound Trading; without Stock Connect, PRC investors would not otherwise have a direct and established means of engaging in Southbound Trading. In October 2019, the Shanghai and Shenzhen stock exchanges separately announced their amended implementation rules in connection with Southbound Trading to include shares of WVR companies to be traded through Stock Connect. However, since these rules are relatively new, there remains uncertainty as to the implementation details, especially with respect to shares of those companies with a secondary or dual-primary listing on the Hong Kong Stock Exchange. It is unclear whether and when our Class A Ordinary Shares of our Company, a WVR company with a dual-primarily listing in Hong Kong upon the Listing, will be eligible to be traded through Stock Connect, if at all. The ineligibility or any delay of our Class A Ordinary Shares for trading through Stock Connect will affect PRC investors' ability to trade our Class A Ordinary Shares and therefore may limit the liquidity of the trading of our Class A Ordinary Shares on the Hong Kong Stock Exchange.

Since there will be a gap of several days between pricing and trading of our Class A Ordinary Shares, the price of the ADSs traded on the NYSE may fall during this period and could result in a fall in the price of our Class A Ordinary Shares to be traded on the Hong Kong Stock Exchange.

The Public Offer Price and International Offer Price of our Shares sold in the Global Offering are expected to be determined on the Price Determination Date. However, our Class A Ordinary Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be a few Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Class A Ordinary Shares during that period. Accordingly, holders of our Class A Ordinary Shares are subject to the risk that the trading price of our Class A Ordinary Shares could fall when trading commences as a result of

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adverse market conditions or other adverse developments that could occur between the Price Determination Date and the time trading begins. In particular, as the ADSs will continue to be traded on the NYSE and their price can be volatile, any fall in the price of the ADSs may result in a fall in the price of our Class A Ordinary Shares to be traded on the Hong Kong Stock Exchange.

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

Upon the Listing, we will be subject to the Hong Kong Stock Exchange and the NYSE listing and regulatory requirements concurrently. The NYSE and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Class A Ordinary Shares and the ADSs representing them might not be the same, even allowing for currency differences. Fluctuations in the price of the ADSs due to circumstances peculiar to its home capital market could materially and adversely affect the price of our Class A Ordinary Shares. Because of the different characteristics of the U.S. and Hong Kong capital markets, the historic market prices of the ADSs may not be indicative of the performance of our securities (including our Class A Ordinary Shares) after the Global Offering.

There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of our ADSs following our initial public offering in Hong Kong and listing of our Class A Ordinary Shares on the Stock Exchange.

In connection with our initial public offering of Class A Ordinary Shares in Hong Kong, or the Hong Kong Public Offering, we will establish a branch register of members in Hong Kong, or the Hong Kong share register. Our Class A Ordinary Shares that are traded on the Hong Kong Stock Exchange, including those to be issued in the Global Offering and those that may be converted from ADSs, will be registered on the Hong Kong share register, and the trading of these Shares on the Stock Exchange will be subject to the Hong Kong stamp duty. To facilitate ADS-Class A Ordinary Shares conversion and trading between the NYSE and the Stock Exchange, we also intend to move a portion of our issued Class A Ordinary Shares from our register of members maintained in the Cayman Islands to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects any sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.26% of the greater of the consideration for, or the value of, shares transferred, with 0.13% payable by each of the buyer and the seller. See “Information about This Prospectus and the Global Offering – Dealings and Settlement of Class A Ordinary Shares in Hong Kong.”

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the United States and Hong Kong and that have maintained all or a portion of their common shares, including

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common shares represented by ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong-registered common shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of our ADSs, the trading price and the value of your investment in our Class A Ordinary Shares and/or ADSs may be affected.

The deposit of our Class A Ordinary Shares for delivery of ADSs and the surrender of ADSs for cancellation and withdrawal of our Class A Ordinary Shares may adversely affect the liquidity or trading price of our securities.

The ADSs are currently traded on the NYSE. Subject to compliance with U.S. securities laws and the terms of the deposit agreement, holders of our Class A Ordinary Shares may deposit Class A Ordinary Shares with the depositary for delivery of ADSs. Any holder of ADSs may also withdraw the underlying Class A Ordinary Shares represented by the ADSs pursuant to the terms of the deposit agreement for trading on the Hong Kong Stock Exchange. In the event that a substantial number of Class A Ordinary Shares are deposited with the depositary for delivery of ADSs or that a substantial number of ADSs are surrendered for cancellation and withdrawal of our Class A Ordinary Shares, the liquidity and trading price of our Class A Ordinary Shares on the Hong Kong Stock Exchange and the ADSs on the NYSE may be adversely affected.

The time required for the deposit of our Class A Ordinary Shares for delivery of ADSs and the surrender of ADSs for cancellation and withdrawal of our Class A Ordinary Shares might be longer than expected and investors might not be able to settle or effect any sale of their securities during this period, and such actions may involve costs.

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

Furthermore, the depositary for the ADSs is entitled to charge holders fees for various services including for the issuance of ADSs upon deposit of Class A Ordinary Shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs, and annual service fees. As a result, shareholders who deposit Class A Ordinary Shares for delivery of ADSs or surrender ADSs for cancellation and withdrawal of our Class A Ordinary Shares may not achieve the level of economic return they may anticipate.

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

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

Purchasers of our Class A ordinary shares will incur immediate and significant dilution and may experience further dilution if we issue additional shares or other equity securities in the future, including pursuant to the share incentive schemes.

The Public Offer Price and International Offer Price of the Offer Shares are higher than the net tangible asset value per Class A Ordinary Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional shares or other equity securities in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Class A Ordinary Shares if we issue additional shares or other equity securities in the future at a price which is lower than the net tangible asset value per Class A Ordinary Share at that time. Furthermore, we may issue ordinary shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering.

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

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to us and the Joint Representatives (for themselves and on behalf of the Underwriters) agreeing on the pricing of the Hong Kong Offer Shares on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

Please see the section headed “Underwriting” for further information about the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The Price Determination Date is expected to be on or around Monday, June 27, 2022 and, in any event, not later than Monday, July 4, 2022. If, for whatever reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on or before Monday, July 4, 2022, the Global Offering will not proceed and will lapse immediately.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Class A Ordinary Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF THE CLASS A ORDINARY SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Offer Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares (except for a registration of Class A ordinary shares on a registration statement on Form F-3 filed or to be filed with the SEC) or the distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong or the United States pursuant to an applicable exemption from the registration requirements under the U.S. federal securities laws. Accordingly, without limitation to the following, this prospectus and/or the **GREEN** Application Form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the **GREEN** Application Form and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the Class A Ordinary Shares in issue and to be issued pursuant to the Global Offering (including the additional Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Class A Ordinary Shares to be issued pursuant to the 2015 Equity Incentive Plan; and (iii) the Class A Ordinary Shares that are issuable upon conversion of the Class B Ordinary Shares on a one to one basis.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

We satisfy the market capitalization/revenue requirements under Rule 8A.06(2) and Rule 8.05(3) of the Listing Rules such that (i) our expected market capitalization at the time of Listing, which, based on the indicative offer price of HK\$22.80 per Offer Share, exceeded HK\$10 billion and (ii) our revenue for the year ended December 31, 2021 amounted to US\$302.1 million, which exceeded HK\$1 billion.

Dealings in the Class A Ordinary Shares on the Stock Exchange are expected to commence on Tuesday, July 5, 2022. Our ADSs are currently listed on and dealt in the NYSE. Other than the foregoing, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong share register of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Class A Ordinary Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Class A Ordinary Shares or ADSs or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, officers, employees, agents, advisors or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Class A Ordinary Shares or ADSs or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Company may be required to allot and issue up to an aggregate of 1,095,000 new Class A Ordinary Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HONG KONG REGISTER OF MEMBERS, HONG KONG STAMP DUTY, SFC TRANSACTION LEVY AND FINANCIAL REPORTING COUNCIL TRANSACTION LEVY

The Company's principal register of members will be maintained by its principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands. All of the Class A Ordinary Shares issued pursuant to the Global Offering will be registered on the Company's Hong Kong branch share register to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Class A Ordinary Shares registered in our Company's Hong Kong Share Register will be subject to Hong Kong stamp duty, SFC transaction levy and Financial Reporting Council Transaction Levy. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Class A Ordinary Shares will be paid to the shareholders listed on the Hong Kong branch share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

CLASS A ORDINARY SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Class A Ordinary Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Class A Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Class A Ordinary Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

LISTINGS

Our Company currently has a primary listing of ADSs on the NYSE, which it intends to maintain alongside its proposed dual primary listing of Class A Ordinary Shares on the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” and on the relevant **GREEN** Application Form.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure of the Global Offering.”

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains conversions among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated, or at all. Unless indicated otherwise, the conversions between U.S. dollars and Renminbi were made at the rate of RMB6.7081 to US\$1.00 and the conversions between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8494 to US\$1.00.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

Our register of members recording unlisted Shares not represented by the ADSs will be maintained by our Principal Share Registrar in the Cayman Islands, and our branch register of members recording Shares listed on the Hong Kong Stock Exchange and our Shares represented by the ADSs will be maintained by our Hong Kong Share Registrar in Hong Kong.

OWNERSHIP OF ADSs

An owner of ADSs may hold his/her ADSs either by means of an ADR (evidencing certificated ADSs) registered in his/her name, through a brokerage or safekeeping account, or through an account established by the depositary bank in his/her name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank, commonly referred to as the “direct registration system,” or DRS. The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and The Depository Trust Company (“DTC”). If an owner of ADSs decides to hold his/her ADSs through his/her brokerage or safekeeping account, he/she must rely on the procedures of his/her broker or bank to assert his/her rights as an ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. All ADSs held through DTC will be registered in the name of a nominee of DTC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DEALINGS AND SETTLEMENT OF CLASS A ORDINARY SHARES IN HONG KONG

Dealings in our Class A Ordinary Shares on the Stock Exchange will be conducted in Hong Kong dollars. Our Class A Ordinary Shares will be traded on the Stock Exchange in board lots of 200 Class A Ordinary Shares.

The transaction costs of dealings in our Class A ordinary shares on the Hong Kong Stock Exchange include:

- Hong Kong Stock Exchange trading fee of 0.005% of the consideration of the transaction, charged to each of the buyer and seller;
- SFC transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- trading tariff of HK\$0.50 on each and every purchase or sale transaction. The decision on whether or not to pass the trading tariff onto investors is at the discretion of brokers;
- Financial Reporting Council transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;
- ad valorem stamp duty at a total rate of 0.26% of the value of the transaction, with 0.13% payable by each of the buyer and the seller;
- stock settlement fee, which is currently 0.002% of the gross transaction value, subject to a minimum fee of HK\$2.00 and a maximum fee of HK\$100.00 per side per trade;
- brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for IPO transactions which are currently set at 1% of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities); and
- the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of ordinary shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his/her Class A Ordinary Shares in his/her stock account or in his/her designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his/her broker or custodian before the settlement date.

An investor may arrange with his/her broker or custodian on a settlement date in respect of his/her trades executed on the Stock Exchange. Under the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in effect from time to time, the date of settlement must be the second settlement day (a day on which the settlement services of CCASS are open for use by CCASS Participants) following the trade date (T+2). For trades settled under CCASS, the General Rules of CCASS and CCASS Operational Procedures in effect from time to time provided that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

EXCHANGES BETWEEN SHARES TRADING IN HONG KONG AND ADSs

In connection with the Hong Kong Public Offering, we have established a branch register of members in Hong Kong, or the Hong Kong share register, which will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members, or the Cayman share register, will continue to be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited. All Shares offered in the Hong Kong Public Offering will be registered on the Hong Kong share register in order to be listed and traded on the Hong Kong Stock Exchange. As described in further detail below, holders of ordinary shares registered on the Hong Kong share register will be able to exchange those Class A Ordinary Shares for ADSs, and vice versa.

OUR ADSs

Our ADSs representing our Class A Ordinary Shares are currently traded on NYSE. Dealings in our ADSs are conducted in U.S. dollars.

ADSs may be held either:

- (a) directly: (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs registered in the holder's name; or (ii) by having uncertificated ADSs registered in the holder's name; or
- (b) indirectly, by holding a security entitlement in ADSs through a broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

The depositary for our ADSs is The Bank of New York Mellon, whose office is located at 24 Greenwich Street, New York, New York 10286, United States.

Depositing Shares trading in Hong Kong for delivery of ADSs

An investor who holds the Shares registered in Hong Kong and wishes to receive delivery of ADSs that trade on NYSE must deposit or have his/her broker deposit the ordinary shares with the depositary's Hong Kong custodian, The Hong Kong and Shanghai Banking Corporation Limited, or the custodian, in exchange for ADSs. A deposit of Shares trading in Hong Kong in exchange for ADSs involves the following procedures:

- (a) If the Shares have been deposited with CCASS, the investor must transfer the Shares to the depositary's account with the custodian within CCASS by following the CCASS procedures for transfer and submit and deliver a duly completed and signed ADS delivery form to the custodian via his/her broker.
- (b) If the Shares are held outside CCASS, the investor must arrange for the registration of a transfer of his/her Shares into the depositary's name and delivery of evidence of that registration to the custodian, and must sign and deliver an ADS delivery form to the depositary.
- (c) Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, the depositary will register the corresponding number of ADSs in the name(s) requested by an investor and will deliver the ADSs as instructed in the ADS delivery form. For Shares deposited in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For Shares held outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS issuances. The investor will be unable to trade the ADSs until the procedures are completed.

Surrender of ADSs for delivery of ordinary shares trading in Hong Kong

An investor who holds ADSs and wishes to receive Shares that trade on the Hong Kong Stock Exchange must cancel the ADSs the investor holds and withdraw the Shares from our ADS program and cause his/her broker or other financial institution to trade such Shares on the Hong Kong Stock Exchange. An investor that holds ADSs indirectly through a broker or other financial institution should follow the procedures of the broker or financial institution and instruct the broker to arrange for cancellation of the ADSs, and transfer of the underlying Shares from the depositary's account with the custodian within the CCASS to the investor's Hong Kong stock account.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

For investors holding ADSs directly, the following steps must be taken:

- (a) To withdraw the Shares from our ADS program, an investor who holds ADSs may turn in such ADSs at the office of the depositary (and the applicable ADR(s) if the ADSs are held in certificated form), and send an instruction to cancel such ADSs to the depositary. Those instructions must have a Medallion signature guarantee.
- (b) Upon payment or net of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, if applicable, the depositary will instruct the custodian to deliver the Shares underlying the canceled ADSs to the CCASS account designated by the investor.
- (c) If an investor prefers to receive the Shares outside CCASS, he/she must so indicate in the instruction delivered to the depositary.

For the Shares to be received in CCASS, under normal circumstances, the above steps generally require two business days, provided that the investor has provided timely and complete instructions. For the Shares to be received outside CCASS in physical form, the above steps may take 14 business days, or more, to complete. The investor will be unable to trade the ordinary shares on the Hong Kong Stock Exchange until the procedures are completed. Temporary delays may arise. For example, the transfer books of the depositary may from time to time be closed to ADS cancellations. In addition, completion of the above steps and procedures for delivery of Shares in a CCASS account is subject to there being a sufficient number of Shares on the Hong Kong share register to facilitate a withdrawal from the ADS program directly into the CCASS. We are not under any obligation to maintain or increase the number of Shares on the Hong Kong share register to facilitate such withdrawals.

Depositary requirements

Before the depositary delivers ADSs or permits withdrawal of the Shares, the depositary may require:

- (a) production of satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- (b) compliance with procedures it may establish, from time to time, consistent with the deposit agreement, including completion and presentation of transfer documents.

The depositary may refuse to deliver, transfer, or register issuances, transfers and cancellations of ADSs generally when the transfer books of the depositary or of the Hong Kong Share Registrar are closed or at any time if the depositary or we determine it advisable to do so.

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All costs attributable to the transfer of the Shares to effect a withdrawal from or deposit of the Shares into our ADS program will be borne by the investor requesting the transfer or deposit. In particular, holders of Shares and ADSs should note that the Hong Kong Share Registrar will charge between HK\$2.50 to HK\$20, depending on the speed of service (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules), for each transfer of the Shares from one registered owner to another, each share certificate canceled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong. In addition, holders of the Shares and ADSs must pay up to US\$5.00 per 100 ADSs (or portion thereof) for each issuance of ADSs and each cancelation of ADSs, as the case may be, in connection with the deposit of the Shares into, or withdrawal of the Shares from, the ADS facility.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

WAIVERS AND EXEMPTIONS

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Rules	Subject matter
Rule 8.12 of the Listing Rules	Management presence in Hong Kong
Rules 3.28 and 8.17 of the Listing Rules	Joint company secretaries
Paragraphs 4(2), 4(3), 14(1)-(5), 15-21 of Appendix 3, Rule 8A.07, 8A.09, 8A.10, 8A.13 to 8A.19, 8A.22 to 8A.24, 8A.26 to 8A.35, 8A.37 to 8A.41 of the Listing Rules	Requirements relating to the Articles of Association of the Company
Rules 4.10, 4.11, 19.13 and 19.25A of, and note 2.1 to paragraph 2 of the Appendix 16, to the Listing Rules	Use of U.S. GAAP
Rule 9.09(b) of the Listing Rules	Dealings in Shares prior to Listing
Rule 10.04 and paragraph 5(2) of the Appendix 6, to the Listing Rules	Subscription for Shares by existing Shareholders
Note (1) to Rules 17.03(9) of the Listing Rules	Exercise price of options to be granted pursuant to the 2015 Equity Incentive Plan after the Listing
Rule 17.02(1)(b) and paragraph 27 of Appendix 1A, to the Listing Rules and paragraph 10(d) of Part 1 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance	Waiver and exemption in relation to the 2015 Equity Incentive Plan
Paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules	Disclosure of Offer Price
Paragraph 32 of Part A of Appendix 1 to the Listing Rules	Timing requirement of liquidity disclosure
Chapter 14A of the Listing Rules	Connected Transactions
Rules 4.04(2) and 4.04(4) of the Listing Rules	Waiver in relation to company acquired after the Track Record Period
Rule 13.46(2)(b) of the Listing Rules	Laying 2021 annual financial statements before members at an annual general meeting within six months after end of financial year

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MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules. Our Group's management headquarters, senior management, business operations and assets are primarily based in the PRC. As our executive Directors and the senior management team play important roles in the Company's business operations, our Directors consider it is in the best interest of the Company for the executive Directors and the senior management team to be based in places where the Group has significant operations. As such, we do not, and will not for the foreseeable future, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives, namely Ms. Liu Yao, our executive Director, and Ms. Tang King Yin, one of our joint company secretaries, to be the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by phone, facsimile and/or e-mail to deal with enquiries from the Stock Exchange and will be available to meet with the Stock Exchange within a reasonable period of time upon request of the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;
- (b) each Director will provide his/her contact details, such as phone numbers and email addresses to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time upon request of the Stock Exchange;
- (d) pursuant to Rule 3A.19 and Rule 8A.33 of the Listing Rules, our Company has appointed Guotai Junan Capital Limited as compliance advisor (the “**Compliance Advisor**”), who will act as an additional channel of communication with the Stock Exchange. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules and assist our Company in

WAIVERS AND EXEMPTIONS

answering enquiries from the Stock Exchange. We will ensure that the Compliance Advisor has prompt access to our Company's authorized representatives and Directors, who will provide the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 and Rule 8A.34 of the Listing Rules; and

- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

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

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Our Company has appointed Mr. Chai Xiaolang (柴曉浪) (“**Mr. Chai**”) as one of the joint company secretaries of our Company. Mr. Chai has extensive experience in our business operations and corporate governance matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Mr. Chai may not be able to solely fulfil the requirements of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Mr. Chai as our joint company secretary due to his thorough understanding of the internal administration and business operations of our Group. Our Company has also appointed Ms. Tang King Yin (鄧景賢) (“**Ms. Tang**”) to act as the other joint company secretary. Ms. Tang is an associate member of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom, who fully meets the qualification requirements stipulated under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Chai for an initial period of three years from the Listing Date to enable Mr. Chai to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rule 3.28 and 8.17 of the Listing Rules.

Since Mr. Chai does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Chai may be appointed as a joint company secretary of our Company. Pursuant to Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time (the “**Waiver Period**”) on the conditions that: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Tang, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Chai in the discharge of his duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Tang’s professional qualifications and experience, she will be able to explain to both Mr. Chai and our Company the relevant requirements under the Listing Rules. Ms. Tang will also assist Mr. Chai in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. She is expected to work closely with Mr. Chai, and will maintain regular contact with Mr. Chai, the Directors and the senior management of our Company. The waiver will be revoked immediately if Ms. Tang ceases to provide assistance to Mr. Chai as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Chai will comply with annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing.

WAIVERS AND EXEMPTIONS

In the course of preparation of the Listing, Mr. Chai attended a training seminar on the respective obligations of the Directors and senior management and our Company under the relevant Hong Kong laws and the Listing Rules provided by our Company's Hong Kong legal adviser and has been provided with the relevant training materials. Our Company will further ensure that Mr. Chai has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, both Mr. Chai and Ms. Tang will seek and have access to advice from our Company's Hong Kong legal and other professional advisers as and when required. Our Company has appointed Guotai Junan Capital Limited as the Compliance Advisor upon our Listing pursuant to Rule 3A.19 and Rule 8A.33 of the Listing Rules, which will act as our Company's additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and its joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations.

Before the end of the three-year period, the qualifications and experience of Mr. Chai will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance of Ms. Tang will continue. We will liaise with the Stock Exchange to enable it to assess whether Mr. Chai, having benefited from the assistance of Ms. Tang for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information regarding the qualifications of Mr. Chai and Ms. Tang.

REQUIREMENTS RELATING TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

As the Company is applying for a dual primary listing on the Stock Exchange, the Articles are required to comply with Appendix 3 of the Listing Rules. Rule 19.05 of the Listing Rules provides that the Stock Exchange may refuse a listing if it believes that it is not in the public interest to list the overseas issuer whose primary listing is or is to be on an exchange.

Rule 8A.44 of the Listing Rules requires issuers with WVR structures such as our Company to give force to the requirements of Rules 8A.07, 8A.09, 8A.10, 8A.13, 8A.14, 8A.15, 8A.16, 8A.17, 8A.18, 8A.19, 8A.21, 8A.22, 8A.23, 8A.24, 8A.26, 8A.27, 8A.28, 8A.29, 8A.30, 8A.31, 8A.32, 8A.33, 8A.34, 8A.35, 8A.37, 8A.38, 8A.39, 8A.40 and 8A.41 by incorporating them into their articles of association or equivalent document (together with the requirements under Appendix 3 to the Listing Rules, the "**Listing Rules Articles Requirements**").

WAIVERS AND EXEMPTIONS

The Company's Articles do not comply with some of the Listing Rules Articles Requirements, namely, (i) paragraphs 4(2), 4(3), 14(1)-(5), 15-21 of Appendix 3 to the Listing Rules, and (ii) Rules 8A.07, 8A.09, 8A.10, 8A.13 to 8A.19, 8A.22 to 8A.24, 8A.26 to 8A.35 and 8A.37 to 8A.41 of the Listing Rules (together, the **"Unmet Listing Rules Articles Requirements"**). Other than the said Unmet Listing Rules Articles Requirements, the remaining Listing Rules Articles Requirements are met by the Articles. The Company will seek shareholders' approval to incorporate the Unmet Listing Rules Articles Requirements into its Articles at the Post-Listing GM.

Details of the Unmet Listing Rules Articles Requirements to be incorporated into the Company's Articles are set out below:

To be approved by Class-based Resolution (defined below)

- (1) A super-majority vote of the issuer's members of the class to which the rights are attached shall be required to approve a change to those rights.

Notes: A "super-majority vote" means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (paragraph 15 of Appendix 3).

- (2) Non-WVR (as defined under the Listing Rules) shareholders must be entitled to cast at least 10% of the votes that are eligible to be cast on resolutions at the listed issuer's general meetings (Rule 8A.09 of the Listing Rules).

Note 1: Compliance with this rule means, for example, that an issuer cannot list with a WVR structure that attaches 100% of the right to vote at general meetings to the beneficiaries of weighted voting rights.

Note 2: A beneficiary of weighted voting rights must not take any action that would result in a non-compliance with this rule.

A class of shares conferring weighted voting rights in a listed issuer must not entitle the beneficiary to more than ten times the voting power of ordinary shares, on any resolution tabled at the issuer's general meetings (Rule 8A.10 of the Listing Rules).

A listed issuer must not increase the proportion of shares that carry weighted voting rights above the proportion in issue at the time of listing.

WAIVERS AND EXEMPTIONS

Note: If the proportion of shares carrying weighted voting rights is reduced below the proportion in issue at the time of listing, this rule 8A.13 shall apply to the reduced proportion of shares carrying weighted voting rights (Rule 8A.13 of the Listing Rules).

- (3) A listed issuer with a WVR structure may only allot, issue or grant shares carrying weighted voting rights with the prior approval of the Stock Exchange and pursuant to (a) an offer made to all the issuer's shareholders pro rata (apart from fractional entitlements) to their existing holdings; (b) a pro rata issue of shares to all the issuer's shareholders by way of scrip dividends; or (c) pursuant to a stock split or other capital reorganization; provided that the Stock Exchange is satisfied that the proposed allotment or issuance will not result in an increase in the proportion of shares carrying weighted voting rights:
- (i) if, under a pro rata offer, beneficiaries of weighted voting rights do not take up any part of the shares carrying weighted voting rights (or rights to those shares) offered to them, those shares (or rights) not taken up could only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of ordinary shares; and
 - (ii) to the extent that rights in a listed issuer's shares not carrying weighted voting in a pro rata offer are not taken up in their entirety (e.g. in the case where the pro rata offering is not fully underwritten), the number of the listed issuer's shares carrying weighted voting rights that can be allotted, issued or granted must be reduced proportionately (Rule 8A.14 of the Listing Rules).
- (4) If a listed issuer with a WVR structure reduces the number of its shares in issue (e.g. through a purchase of its own shares) the beneficiaries of weighted voting rights must reduce their weighted voting rights in the issuer proportionately (for example through conversion of a proportion of their shareholding with those rights into shares without those rights), if the reduction in the number of shares in issue would otherwise result in an increase in the proportion of the listed issuer's shares that carry weighted voting rights (Rule 8A.15 of the Listing Rules);
- (5) After listing, a listed issuer with a WVR structure must not change the terms of a class of its shares carrying weighted voting rights to increase the weighted voting rights attached to that class (Rule 8A.16 of the Listing Rules);

Note: If a listed issuer wishes to change the terms of a class of its shares carrying weighted voting rights to reduce those rights it may do so but must, in addition to complying with any requirements under law, first obtain the prior approval of the Stock Exchange and, if approval is granted, must announce the change.

WAIVERS AND EXEMPTIONS

- (6) The beneficiary's weighted voting rights in a listed issuer must cease if, at any time after listing, the beneficiary is:
- (i) deceased;
 - (ii) no longer a member of the issuer's board of directors;
 - (iii) deemed by the Stock Exchange to be incapacitated for the purpose of performing his or her duties as a director; or
 - (iv) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules (Rule 8A.17 of the Listing Rules);

The weighted voting rights attached to a beneficiary's shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in those shares or the control over the voting rights attached to them (through voting proxies or otherwise). A limited partnership, trust, private company or other vehicle may hold shares carrying weighted voting rights on behalf of a beneficiary of weighted voting rights provided that such an arrangement does not result in a circumvention of Rule 8A.18(1). The Stock Exchange would not consider a lien, pledge, charge or other encumbrance on shares carrying weighted voting rights to be a transfer for the purpose of Rule 8A.18 on condition that this does not result in the transfer of the legal title or beneficial ownership of those shares or the voting rights attached to them (through voting proxies or otherwise). The Stock Exchange would consider a transfer to have occurred under Rule 8A.18 if a beneficiary of weighted voting rights and a non-WVR shareholder(s) enter into any arrangement or understanding to the extent that this resulted in a transfer of weighted voting rights from the beneficiary of those weighted voting rights to the non-WVR shareholder (Rule 8A.18 of the Listing Rules);

If a vehicle holding shares carrying weighted voting rights in a listed issuer on behalf of a beneficiary no longer complies with Rule 8A.18(2), the beneficiary's weighted voting rights in the listed issuer must cease. The issuer and beneficiary must notify the Stock Exchange as soon as practicable with details of the non-compliance (Rule 8A.19 of the Listing Rules).

- (7) A listed issuer's WVR structure must cease when none of the beneficiaries of the weighted voting rights at the time of the issuer's initial listing have beneficial ownership of shares carrying weighted voting rights. (Rule 8A.22 of the Listing Rules);

WAIVERS AND EXEMPTIONS

- (8) Non-WVR shareholders must be able to convene an extraordinary general meeting and add resolutions to the meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights on a one vote per share basis in the share capital of the listed issuer (Rule 8A.23 of the Listing Rules, paragraph 14(5) of Appendix 3);
- (9) Any weighted voting rights attached to any class of shares in a listed issuer must be disregarded and must not entitle the beneficiary to more than one vote per share on any resolution to approve the following matters:
 - (i) changes to the listed issuer's constitutional documents, however framed;
 - (ii) variation of rights attached to any class of shares;
 - (iii) the appointment or removal of any independent non-executive director;
 - (iv) the appointment or removal of auditors; and
 - (v) the voluntary winding-up of the listed issuer (Rule 8A.24 of the Listing Rules).

To be approved by Non-class-based Resolution (defined below)

- (10) Any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment, and shall then be eligible for re-election (paragraph 4(2) of Appendix 3);
- (11) where not otherwise provided by law, members in general meeting shall have the power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his term of office. (paragraph 4(3) of Appendix 3);
- (12) An issuer must hold a general meeting for each financial year as its annual general meeting;

Note: Generally, an issuer must hold its annual general meeting within six months after the end of its financial year. (paragraph 14(1) of Appendix 3);
- (13) An issuer must give its members reasonable written notice of its general meetings.

Note: "Reasonable written notice" normally means at least 21 days for an annual general meeting and at least 14 days for other general meetings. This is unless it can be demonstrated that reasonable written notice can be given in less time (paragraph 14(2) of Appendix 3);

WAIVERS AND EXEMPTIONS

- (14) Members must have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration (paragraph 14(3) of Appendix 3);
- (15) Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted (paragraph 14(4) of Appendix 3);
- (16) A super-majority vote of the issuer's members in a general meeting shall be required to approve changes to an issuer's constitutional documents, however framed.

Notes: A "super-majority vote" means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (paragraph 16 of Appendix 3);

- (17) The appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors (paragraph 17 of Appendix 3);
- (18) Every member shall be entitled to appoint a proxy who needs not necessarily be a member of the issuer and that every shareholder being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the issuer and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorized officer (paragraph 18 of Appendix 3);
- (19) HKSCC must be entitled to appoint proxies or corporate representatives to attend the issuer's general meetings and creditors meetings and those proxies or corporate representatives must enjoy rights equivalent to the rights of other shareholders, including the right to speak and vote (paragraph 19 of Appendix 3);
- (20) The branch register of members in Hong Kong shall be open for inspection by members but the issuer may be permitted to close the register on terms equivalent to section 632 of the Companies Ordinance (paragraph 20 of Appendix 3);
- (21) A super-majority vote of the issuer's members in a general meeting shall be required to approve a voluntary winding up of an issuer.

Notes: A "super-majority vote" means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (paragraph 21 of Appendix 3);

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- (22) Subject to the requirement of Rule 8A.24, a WVR structure must attach weighted voting rights only to a class of an issuer's equity securities and confer on a beneficiary enhanced voting power on resolutions tabled at the issuer's general meetings only. In all other respects, the rights attached to a class of equity securities conferring weighted voting rights must otherwise be the same as the rights attached to the issuer's listed ordinary shares (Rule 8A.07 of the Listing Rules);
- (23) The role of an independent non-executive director of a listed issuer with a WVR structure must include but is not limited to the functions described in Code provisions C.1.2, C.1.6 and C.1.7 of Appendix 14 to the Listing Rules:
- (i) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
 - (ii) taking the lead where potential conflicts of interests arise;
 - (iii) serving on the audit, compensation, nomination and other governance committees, if invited; and
 - (iv) scrutinizing the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;

Independent non-executive directors and other non-executive directors, as equal board members, shall give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Generally, they should also attend general meetings to gain and develop a balanced understanding of the views of the shareholders; and

Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments (Rule 8A.26 of the Listing Rules);

- (24) Issuers with a WVR structure must establish a nomination committee that complies with Section B.3 in Part 2 of Appendix 14 of these Listing Rules:
- (i) review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy;
 - (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships;

WAIVERS AND EXEMPTIONS

- (iii) assess the independence of independent non-executive directors; and
- (iv) make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.

Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.

Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (i) the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent;
 - (ii) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board;
 - (iii) the perspectives, skills and experience that the individual can bring to the board; and
 - (iv) how the individual contributes to diversity of the board (Rule 8A.27 of the Listing Rules);
- (25) The nomination committee established under rule 8A.27 must be chaired by an independent non-executive director (Rules 8A.28 of the Listing Rules);
- (26) The independent non-executive directors of an issuer with a WVR structure must be subject to retirement by rotation at least once every three years. Independent non-executive directors are eligible for re-appointment at the end of the three year term (Rule 8A.29 of the Listing Rules);

WAIVERS AND EXEMPTIONS

- (27) An issuer with a WVR structure must establish a Corporate Governance Committee with at least the terms of reference set out in Code Provision A.2.1 of Appendix 14 to the Listing Rules, and the following additional terms:
- (i) develop and review the issuer's policies and practices on corporate governance and make recommendations to the board;
 - (ii) review and monitor the training and continuous professional development of directors and senior management;
 - (iii) review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
 - (iv) develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
 - (v) review the Company's compliance with the code and disclosure in the Corporate Governance Report (as defined in the Listing Rules);
 - (vi) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;
 - (vii) to confirm, on an annual basis, that beneficiaries of weighted voting rights have been members of the listed issuer's board of directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
 - (viii) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
 - (ix) to review and monitor the management of conflicts of interests and make a recommendation to the board on any matter where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or shareholders of the issuer (considered as a group) on the one hand and any beneficiary of weighted voting rights on the other;
 - (x) to review and monitor all risks related to the issuer's WVR structure, including connected transactions between the issuer and/or a subsidiary of the issuer on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the board on any such transaction;
 - (xi) to make a recommendation to the board as to the appointment or removal of the Compliance Advisor (as defined under the Listing Rules);

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- (xii) to seek to ensure effective and on-going communication between the issuer and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
 - (xiii) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
 - (xiv) to disclose, on a comply or explain basis, its recommendations to the board in respect of matters in sub-paragraphs (ix) to (xi) above in the report referred to in sub-paragraph (xiii) above (Rule 8A.30 of the Listing Rules);
- (28) The Corporate Governance Committee must be comprised entirely of independent non-executive directors, one of whom must act as the chairman (Rule 8A.31 of the Listing Rules);
- (29) The Corporate Governance Report produced by the a listed issuer with a WVR structure to comply with Appendix 14 of the Listing Rules must include a summary of the work of the Corporate Governance Committee, with regards to its terms of reference, for the accounting period covered by both the half-yearly and annual report and disclose any significant subsequent events for the period up to the date of publication of the half-yearly and annual report, to the extent possible. (Rule 8A.32 of the Listing Rules);
- (30) Rule 3A.19 is modified to require an issuer with a WVR structure to appoint a Compliance Advisor on a permanent basis commencing on the date of the issuer's initial listing (Rule 8A.33 of the Listing Rules);
- (31) An issuer must consult with, and if necessary, seek advice from its Compliance Advisor, on a timely and ongoing basis in the circumstances set out in rule 3A.23 and also on any matters related to:
- (i) the WVR structure;
 - (ii) transactions in which any beneficiary of weighted voting rights in the issuer has an interest; and
 - (iii) where there is a potential conflict of interest between the issuer, a subsidiary of the issuer and/or holders of the issuer (considered as a group) on the one hand and any beneficiary of weighted voting rights in the issuer on the other (Rule 8A.34 of the Listing Rules);
- (32) An issuer with a WVR structure must comply with Section F "Shareholders Engagement" in Part 2 of Appendix 14 of the Listing Rules (Rule 8A.35 of the Listing Rules);

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- (33) An issuer with a WVR structure must include the warning “A company controlled through weighted voting rights” on the front page of all its listing documents, periodic financial reports, circulars, notifications and announcements required by the Listing Rules, and describe its WVR structure, the issuer’s rationale of such structure and the associated risks for the members prominently in its listing documents and periodic financial reports. This warning statement shall inform prospective investors of the potential risks of investing in an issuer with a WVR structure and that they should make the decision to invest only after due and careful consideration (Rule 8A.37 of the Listing Rules);
- (34) The documents of or evidencing title for the listed equity securities of an issuer with a WVR structure must prominently include the warning “A company controlled through weighted voting rights” (Rule 8A.38 of the Listing Rules);
- (35) An issuer with a WVR structure must disclose in its listing documents and its interim and annual reports:
- (i) identify the beneficiaries of weighted voting rights (Rule 8A.39 of the Listing Rules);
 - (ii) disclose the impact of a potential conversion of WVR shares into ordinary shares on its share capital (Rule 8A.40 of the Listing Rules); and
 - (iii) disclose all circumstances in which the weighted voting rights attached to the Class B Ordinary Shares shall cease (Rule 8A.41 of the Listing Rules).

Under Article 100 of the Articles, Mr. Wang is entitled to appoint a director and as replacement of the former management director by delivering a written notice to the Company subject to certain conditions. To comply with Rule 2.03(4) of the Listing Rules, which requires that all holders of listed securities to be treated fairly and equally, the Company will, at the Post-Listing GM, put forth a resolution to remove such special rights of Mr. Wang from the Articles (“**Termination of Special Rights**”).

In addition, to further enhance its shareholder protection measures, the Company will at the Post-Listing GM propose to its shareholders the following amendments to its Articles: (a) lowering the quorum of general meeting (which is not a class meeting) from a majority of all votes attaching to all shares of the Company in issue and entitled to vote at such general meeting as currently provided for under Article 71 of the Articles to 10% of all votes attaching to all shares of the Company in issue and entitled to vote at such general meeting (on a one vote per share basis) (the “**Quorum Requirement**”); (b) where a general meeting is postponed by the directors pursuant to Article 74 of the Articles, requiring such meeting to be postponed to a specific date, time and place (the “**GM Postponement Requirement**”); (c) removing the Directors’ powers under Article 4 of the Articles to authorize the division of shares into any number of classes and to determine the relative rights, restrictions, preferences, privileges and payment obligations as between the different classes and to issue preferred shares with such

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preferred or other rights which may be greater than the rights of ordinary shares, as well as making the Directors' power to issue preferred shares to be subject to the Articles, compliance with the Listing Rules (and only to such extent permitted thereby), the Takeovers Code and any applicable rules and regulations of authorities of places where the securities of the Company are listed, and the condition that (x) no new class of shares with voting rights superior to Class A Ordinary Shares will be created and (y) any variation in the relative rights as between the different classes will not result in creating new class of shares with voting rights superior to those of Class A Ordinary Shares (the **"Amendment of Directors' Class Right Related Powers"**, together with the Unmet Listing Rules Articles Requirements, the Termination of Special Rights, the Quorum Requirement and the GM Postponement Requirement, the **"Unmet Articles Requirements"**).

At the Post-Listing GM, the Company will also propose amendments to the Articles to clarify that the Company, its shareholders, directors and officers agree to submit to the jurisdiction of the courts of the Cayman Islands and Hong Kong, to the exclusion of other jurisdictions, to hear, settle and/or determine any dispute, controversy or claim whether arising out of or in connection with the Articles or otherwise. For the avoidance of doubt, the applicable rights of purchasers, holders, and sellers of the Company's ADSs are not governed by the preceding sentence but are exclusively governed by the applicable deposit agreement pursuant to which the ADSs were issued, regardless of whether their dispute, controversy or claim arises out of or in connection with the Articles or otherwise (the **"Forum Selection Clarification"**)

As advised by the Company's legal advisor as to Cayman Islands laws, the incorporation of the following Unmet Articles Requirements will require approvals of both holders of Class B Ordinary Shares and holders of Class A Ordinary Shares in separate class meetings at the Post-Listing GM in accordance with the Company's existing Articles because these requirements would vary the rights attached to Class B Ordinary Shares and Class A Ordinary Shares, respectively: (i) paragraph 15 of Part B of Appendix 3 to the Listing Rules; and (ii) Rules 8A.09, 8A.10, 8A.13 to 8A.19, 8A.22 to 8A.24 of the Listing Rules – a resolution to incorporate these Unmet Articles Requirements (the **"Class-based Resolution"**) will need to be approved at the separate class meetings of holders of Class B Ordinary Shares (the **"Class B Meeting"**) and of Class A Ordinary Shares (the **"Class A Meeting"**). The quorum for the Class A Meeting or Class B Meeting shall be one or more persons holding or representing by proxy at least a majority of the issued Class A ordinary shares or Class B ordinary shares, respectively, in accordance with Article 59 of the Articles. The Class-based Resolution requires approval by a special resolution passed by a majority of not less than two-thirds of both holders of Class A Ordinary Shares and holders of Class B Ordinary Shares, voting in person or by proxy at a Class A Meeting and Class B Meeting, separately, in accordance with Article 58 of the existing Articles.

If the Class-based Resolution is passed at both the Class A Meeting and the Class B Meeting, at the full shareholders' meeting where all shareholders may vote as a single class (the **"Full Shareholders' Meeting"**), the shareholders will be asked to vote on the Class-based Resolution and another resolution to incorporate into the Articles the Unmet Articles

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Requirements not covered by the Class-based Resolution and the Forum Selection Clarification (the “**Non-class-based Resolution**”). The quorum for the Full Shareholders’ Meeting will be members which carry a majority of all votes attaching to all Shares in issue and entitled to vote at such general meeting present in person or by proxy, or, if a corporate or other non-natural person, by its duly authorized representative, pursuant to Article 71 of the Articles. At the Full Shareholders’ Meeting, each of the Class-based Resolution and the Non-class-based Resolution will require approval by not less than two-thirds of the votes cast by such shareholders being entitled to do so, voting in person or, where proxies are allowed, by proxy pursuant to Article 56 of the existing Articles.

If the Class-based Resolution is not approved at either the Class A Meeting or the Class B Meeting, then the shareholders at the Full Shareholders’ Meeting will only be asked to vote on the Non-class-based Resolution.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the Unmet Articles Requirements, subject to the conditions that:

- (1) at the Post-Listing GM, the Company will put forth: (i) the Class-based Resolution at the Class B Meeting and the Class A Meeting; and (ii) the Class-based Resolution (if adopted at the Class B Meeting and Class A Meeting) and the Non-class-based Resolution at the Full Shareholders’ Meeting (together, the “**Proposed Resolutions**”) to amend its Articles to comply with the Unmet Articles Requirements;
- (2) Mr. Wang, Mr. Chen and Mr. Zhou (together, the “**Undertaking Shareholders**”) will, prior to the Listing, irrevocably undertake to the Company to procure such intermediaries holding the Company’s shares as held or controlled by them to be present at the Post-Listing GM (whether in person or by proxy) and at any general meeting that may be convened after the Listing and before the Post-Listing GM, and to vote in favor of the Proposed Resolutions;
- (3) if any of the Proposed Resolutions are not passed at the Post-Listing GM, until they are approved by the shareholders, the Company will irrevocably undertake to the Stock Exchange to put forth the Proposed Resolutions that have not been passed at each subsequent general meeting, and the Undertaking Shareholders will, prior to the Listing, irrevocably undertake to the Company to continue to procure such intermediaries holding the Company’s shares as held or controlled by them to be present (whether in person or by proxy) and vote in favor of the Proposed Resolutions at each subsequent general meeting at which the Company puts forth such Proposed Resolutions until all Proposed Resolutions are approved by the shareholders. The Undertaking Shareholders will further undertake to the Company to procure such intermediaries holding the Company’s Shares as held or controlled by them to be present at any general meeting after the Listing until all Proposed Resolutions are approved by the shareholders;

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- (4) each of New Enterprise Associates 14, L.P., NEA 15 Opportunity Fund L.P., Tencent Mobility Limited, Image Frame Investment (HK) Limited, Anywink Limited, Volinks Limited and Global Bridge Capital USD Fund I, L.P. (together, the “**Supporting Shareholders**”) will, prior to the Listing, irrevocably undertake to the Company to, and if any Class A Ordinary Share is held by intermediaries held or controlled by them, procure such intermediaries to be present at the Class A Meeting and the Full Shareholders’ Meeting (whether in person or by proxy) and to vote in favor of the Proposed Resolutions and that, if any of the Proposed Resolutions are not passed at the Post-Listing GM, until they are all approved, it or he or the said intermediaries will continue to attend (whether in person or by proxy) each subsequent class meeting of the holders of the Class A Ordinary Shares and the general meeting at which the Company puts forth the Proposed Resolutions and vote in favor of such Proposed Resolutions;
- (5) the Company will issue a press release announcing its support publicly for the Proposed Resolutions each year after the Listing until all the Proposed Resolutions are adopted;
- (6) the Company, the Undertaking Shareholders and each of the other Directors in their individual capacity as a Director will, prior to the Listing, irrevocably undertake to the Stock Exchange that they will comply with the Unmet Listing Rules Articles Requirements, the Termination of Special Rights, the GM Postponement Requirement, the Amendment of Directors’ Class Right Related Powers and the Forum Selection Clarification in full (the “**Undertaking for Interim Compliance**”) upon the Listing and before the Articles are formally amended to incorporate the Unmet Articles Requirements, except for:
- paragraph 15 of Appendix 3 such that, prior to the Company’s Articles being amended, the threshold for passing a resolution in a separate class meeting will be approved by two-thirds of the votes cast by the issued shares of that class pursuant to Article 58 of the Company’s Articles (for the avoidance of doubt, the quorum requirement for such class meeting, being holders of at least one-third of the issued shares of the class, will be complied with, even though Article 58 of the Company’s Articles provides for a quorum of holders of no less than a majority of the class);
 - Rules 8A.24(1) and (2) such that, prior to the Company’s Articles being amended, weighted voting rights will apply in connection with passing the Proposed Resolutions;
 - paragraph 16 of Appendix 3 such that, prior to the Company’s Articles being amended, the threshold for passing a special resolution for amendments to the Company’s Articles will be approved by members holding not less than

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two-thirds of the votes cast by such shareholders being entitled to do so, voting in person or, where proxies are allowed, by proxy at the general meeting in accordance with Article 56 of the Company's Articles; and

- paragraph 14(1) of Appendix 3 to the extent that the Company will not hold an annual general meeting on or before June 30, 2022.

For the avoidance of doubt, the above exceptions in relation to paragraphs 15 and 16 of Appendix 3 and Rules 8A.24(1) and (2) are only applicable to the passing of the Proposed Resolutions, and the Company shall irrevocably undertake to the Stock Exchange to comply with paragraphs 15 and 16 of Appendix 3 and Rules 8A.24(1) and (2) for passing any resolution at a separate class meeting and any special resolution after the Listing (other than the Proposed Resolutions) under the Undertaking for Interim Compliance, and if any of the Class-based Resolution is not passed at the Post-Listing GM, the Undertaking for Interim Compliance will remain valid until the Class-based Resolution is passed;

- (7) each of the Undertaking Shareholders will, prior to the Listing, irrevocably undertake to the Company and the Stock Exchange that:

- he will procure the Company to give effect to the Undertaking for Interim Compliance upon the Listing and before its Articles are formally amended;

- (8) each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to the Company and the Stock Exchange that:

- in the event any Class B Ordinary Share is to be transferred to an Affiliate (as defined in the Articles) of a WVR Beneficiary that is not a director holding vehicle wholly-owned and wholly controlled by such WVR Beneficiary after the Listing but before the Articles are formally amended, he will convert such Class B Ordinary Shares into Class A Ordinary Shares by delivering a written notice to the Company in accordance with the Articles and only transfer the resultant Class A Ordinary Shares to such Affiliate;
- after the Listing but before the Articles are formally amended, he will not effect any change in his holding structure of any Class B Ordinary Shares unless and until the Stock Exchange has approved such change;
- he will procure the intermediary(ies) held or controlled by him to, prior to the Listing, deliver a written conversion notice to the Company in accordance with the Articles that all of the relevant Class B Ordinary Shares it/they hold(s) involved shall be converted to Class A Ordinary Shares on a one-for-one basis immediately upon any event listed in Rule 8A.17 (including the cessation of Mr. Wang or Mr. Chen as a Director) and Rule 8A.18 of the Listing Rules, any voluntary or involuntary transfer of legal title to, or economic interest of, or

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beneficial ownership of, or change of control over the voting rights attached to Class B Ordinary Shares from a WVR Beneficiary to any person other than (a) such WVR Beneficiary or (b) a director holding vehicle wholly-owned and wholly controlled by such WVR Beneficiary (e.g. upon or as a result of death of such WVR Beneficiary or foreclosure of share pledge) and in respect of Mr. Chen, cessation as an executive officer or employee of the Company (e.g. if Mr. Chen is re-designated as a non-executive Director or he ceases to assume any role with executive or management function in the Company or he ceases to have any employment relationship with the Company which remains effective) occurring after the Listing and before the Articles are formally amended; such conversion notice shall expire immediately upon the Articles are formally amended; and

- he will procure the intermediary(ies) held or controlled by him to, prior to the Listing, deliver a written conversion notice to the Company that those Class B Ordinary Shares which it/they exercise(s) more than 10 votes shall be converted to Class A Ordinary Shares on a one-for-one basis immediately upon their breach of the WVR Beneficiaries' Voting Undertaking (i.e. exercise of more than 10 votes in respect of the voting rights for each Class B Ordinary Share of which they are the holders on resolutions other than the Proposed Resolutions) occurring after the Listing and before the Articles are formally amended; such conversion notice shall expire immediately upon the Articles are formally amended.

A director holding vehicle, for the purpose of the above paragraph, means (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class B Ordinary Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of any and all of the Class B Ordinary Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly-owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above; and

- (9) the Company remains listed on the NYSE.

In addition, each of the WVR Beneficiaries will, prior to the Listing, irrevocably undertake to the Company that he shall procure the intermediaries holding the Shares as held or controlled by him to exercise no more than 10 votes for each Class B Ordinary Share of which they are the holders at any general meeting after Listing and before the Articles are formally amended to incorporate the Unmet Articles Requirements except for purpose of passing the Proposed Resolutions (the “**WVR Beneficiaries’ Voting Undertaking**”).

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The Company proposes to obtain the WVR Beneficiaries' Voting Undertaking from each of Mr. Wang and Mr. Chen prior to the Listing and to implement the following practical arrangements (the "**Practical Arrangements**") to ensure that no more than ten votes for each Class B Ordinary Shares will be exercised:

- Prior to any general meeting held after Listing and before the Articles are formally amended, the Company will request each of Mr. Wang and Mr. Chen to re-confirm the number of votes to be exercised by them in respect of the resolutions other than for purpose of passing the Proposed Resolutions, such that the Company can monitor the compliance of Mr. Wang and Mr. Chen with the WVR Beneficiaries' Voting Undertaking; and
- Each of Mr. Wang and Mr. Chen will procure the intermediary(ies) held or controlled by him to, prior to the Listing, deliver a written conversion notice to the Company that those Class B Ordinary Shares which it/they exercise(s) more than 10 votes shall be converted to Class A Ordinary Shares on a one-for-one basis immediately upon their breach of the WVR Beneficiaries' Voting Undertaking (i.e. exercise of more than 10 votes in respect of the voting rights for each Class B Ordinary Share of which they are the holders on resolutions other than the Proposed Resolutions) occurring after the Listing and before the Articles are formally amended; such conversion notice shall expire immediately upon the Articles are formally amended.

The Company's legal advisor as to the laws of the Cayman Islands confirms that the giving of the Undertaking for Interim Compliance and implementing the Practical Arrangements will not violate the Articles, and the Undertaking for Interim Compliance and implementing the Practical Arrangements will not violate any laws and regulations of the Cayman Islands, and the Company confirms that, having consulted its other legal advisors, the Undertaking for Interim Compliance and implementing the Practical Arrangements will also not violate other laws and regulations applicable to the Company. The Company's legal advisor as to the laws of Cayman Islands further confirms that the calculation mechanism to calculate the specific votes for or against a specific resolution when the WVR Beneficiaries' Voting Undertaking is complied with before the Articles are formally amended (i.e. the numerator and the denominator assuming the exercise of voting rights attached to the Class B Ordinary Shares will in practice be capped at ten votes per Share) does not breach, and is not inconsistent with the Cayman Islands laws. The Company confirms that each of the proposed amendments to its Articles under the Proposed Resolutions comply with Chapter 8A and Appendix 3 of the Listing Rules, and the amended Articles to be effective after the Post-Listing GM as a whole are not inconsistent with the Listing Rules on the basis that (a) all relevant provisions required to be incorporated in the articles of association of issuers with WVR structures pursuant to Rule 8A.44 of the Listing Rules have been incorporated in the proposed amendments to the Articles, (b) all provisions in respect of core shareholder protection standards in Appendix 3 of the Listing Rules have been reflected in the proposed amendments to the Articles, and (c) all special rights which are inconsistent with the requirements of the Listing Rules as currently provided in the Articles have been removed, and the proposed amendments to the Articles will not conflict with the remaining provisions of the Articles as well as any current practice of the Company.

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The Undertaking Shareholders acknowledged and agreed that our Shareholders may rely on the Undertaking Shareholders' undertakings described in paragraphs (2), (3), (7) and (8) above (the **"Shareholders' Articles Undertaking"**) in acquiring and holding their Shares and that such undertakings are intended to confer a benefit on the Company and all existing and future Shareholders and may be enforced by the Company and/or any such Shareholder against the Undertaking Shareholder.

The Shareholders' Articles Undertaking in paragraphs (2), (3) and (7) above shall automatically terminate upon the earliest of (i) the proposed amendments to the existing Articles described in this sub-section headed "Waivers and Exemptions – Requirements relating to the Articles of Association of the Company" have become effective and (ii) the date of delisting of the Company from the Stock Exchange. The Shareholders' Articles Undertaking in paragraph (8) above shall automatically terminate upon the earliest of (i) the proposed amendments to the existing Articles described in this sub-section headed "Waivers and Exemptions – Requirements relating to the Articles of Association of the Company" have become effective; (ii) the date of delisting of the Company from the Stock Exchange; and (iii) the date on which the WVR Beneficiaries ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Shareholders' Articles Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any shareholder and/or the Undertaking Shareholder himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Shareholders' Articles Undertaking which existed at or before the date of termination. The Shareholders' Articles Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Shareholders' Articles Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

Assuming the Over-allotment Option is not exercised, no further Shares are issued under the Equity Incentive Plan, and without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan, the Undertaking Shareholders will, immediately upon the Listing, beneficially own 84,600,000 Class A Ordinary Shares and 79,400,000 Class B Ordinary Shares respectively, representing in aggregate (a) 16.95% of the total issued Class A Ordinary Shares and 17.87% of the total voting rights of the Class A Ordinary Shares voting as a separate class in Class A Meeting, (b) 100% of the total issued Class B Ordinary Shares and 100% of the total voting rights of the Class B Ordinary Shares voting as a separate class in Class B Meeting, and (c) approximately 76.64% of the voting rights in the Company (on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per Share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per Share) in Full Shareholders' Meeting. The Supporting Shareholders will, immediately upon the Listing, beneficially own 240,179,322 Class A Ordinary Shares, representing in aggregate (a) 48.12% of the total issued Class A Ordinary Shares and 50.73% of the total voting rights of Class A Ordinary Shares voting as a separate class in Class A Meeting, and (b) approximately 14.43% of the total voting rights in the Company (on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per Share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per Share) in Full Shareholders' Meeting. The Depositary will, immediately upon the Listing, hold 85,776,203

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Class A Ordinary Shares underlying the ADSs (excluding those represented by the ADSs held by the Supporting Shareholders which have already been counted in the foregoing), representing (a) 17.18% of the total issued Class A Ordinary Shares and 18.12% of the total voting rights of the Class A Ordinary Shares voting as a separate class in Class A Meeting and (b) approximately 5.15% of the voting rights in the Company (on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per Share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per Share) in Full Shareholders' Meeting.

Accordingly, the undertakings of the Undertaking Shareholders and the Supporting Shareholders to be present at the Post-Listing GM (whether in person or by proxy) in favor of the Proposed Resolutions at any general meeting will be able to ensure a quorum at the Class A Meeting, the Class B Meeting and the Full Shareholders' Meeting. However, despite the undertakings of the Undertaking Shareholders and the Supporting Shareholders to vote in favor of the Proposed Resolutions in favor of the Proposed Resolutions at any general meeting will ensure that they will be adopted at the Class B Meeting and the Full Shareholders' Meeting, there is no guarantee that the Class-based Resolution will be passed at the Class A Meeting. As the Company has not, since its listing on the NYSE, held a general meeting, it is uncertain as to whether the Class-based Resolution will be approved with sufficient support from the Company's shareholders at the Class A Meeting. However, as the proposed amendments to the Articles are for the purposes of enhancing shareholder protection and compliance with the Listing Rules, the Directors do not anticipate the Proposed Resolutions would face any substantive objection from the Shareholders or any significant risk of not being passed at the Post-Listing GM.

For the avoidance of doubt, even though Article 58 of the Articles provides that the rights attached to any class of shares may be varied (a) with the consent in writing of the holders of not less than a majority of the issued shares of that class, or (b) with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The Company expects to adopt the approach in (b) rather than in (a) to seek the relevant shareholders' approval for the Class-based Resolution at a general meeting. Also, even though under the Articles a special resolution can be passed either (x) as a written resolution signed by all members entitled to vote, or (y) at a general meeting of members by the affirmative vote of not less than two thirds (2/3) of all votes, calculated on a fully converted basis, cast by such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at such general meeting (of which notice specifying the intention to propose the resolution as a special resolution has been duly given), the Company expects to adopt the approach in (y) rather than in (x) to seek the shareholders' approval for the Class-based Resolution and the Non-class-based Resolution at a general meeting. This is because, as a public company, it would involve heavy administrative work for the Company and will be practically impossible for the Company to collect written consents from a sufficiently large number of its public shareholders.

After the Listing, the Company will in its annual reports confirm whether it has, in the preceding financial year, complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules to the extent required by Chapter 8A of the Listing Rules.

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In the event of any failure to adhere to the requirements of Chapter 8A of the Listing Rules as determined by the Stock Exchange, the Stock Exchange may, as it considers necessary for the protection of the investors or the maintenance of an orderly market and in addition to any other action that the Stock Exchange considers appropriate under the Listing Rules, exercise absolute discretion to:

- (1) direct a trading halt or suspend dealings of any securities of the Company or cancel the listing of any securities of the Company as set out in Rule 6.01 of the Listing Rules;
- (2) impose the disciplinary sanctions set out in Rule 2A.09 of the Listing Rules against the parties set out in Rule 2A.10 of the Listing Rules;
- (3) withhold (a) approval for an application for the listing of securities; and/or (b) clearance for the issuance of a circular to the Company's shareholders unless and until all necessary steps have been taken to address the non-compliance as directed by the Stock Exchange to its satisfaction.

USE OF U.S. GAAP

Rules 4.10 and 4.11 of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules require the Company to prepare its financial statements in the prospectus and the subsequent financial reports issued after listing to be in conformity with: (a) Hong Kong Financial Reporting Standards ("**HKFRS**"); (b) IFRS; or (c) China Accounting Standards for Business Enterprises in the case of companies incorporated in China. Rule 19.12 requires an accountant's report of an overseas issuer to have been audited to a standard comparable to that required by the Hong Kong Institute of Certified Public Accountants or by the International Auditing and Assurance Standards Board of the International Federation of Accountants. Rule 19.13 states that accountants' reports are required to conform with financial reporting standards acceptable to the Stock Exchange, which are normally HKFRS or IFRS. Rule 19.14 states that where the Stock Exchange allows a report to be drawn up otherwise than in conformity with HKFRS or IFRS, the report will be required to conform with financial reporting standards acceptable to the Stock Exchange. In such cases, the Stock Exchange will normally require the report to contain a reconciliation statement setting out the financial effect of the material differences (if any) from either HKFRS or IFRS. Rule 19.25A states that the annual accounts are required to conform with financial reporting standards acceptable to the Stock Exchange, which are normally HKFRS or IFRS. Where the Stock Exchange allows annual accounts to be drawn up otherwise than in conformity with HKFRS or IFRS, the annual accounts will be required to conform with financial reporting standards acceptable to the Stock Exchange. In such cases the Stock Exchange will normally require the annual accounts to contain a reconciliation statement setting out the financial effect of the material differences (if any) from either HKFRS or IFRS.

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As a company listed on the NYSE, the Company uses Generally Accepted Accounting Principles in the U.S., or the U.S. GAAP, and corresponding audit standards for the filing of its financial statements with the SEC as determined by the United States Public Company Accounting Oversight Board. U.S. GAAP is well recognized and accepted by the international investment community, particularly among technology companies, and significant progress has been made in the convergence between U.S. GAAP and IFRS. Additionally, we note that it might lead to confusion among the Company's investors and shareholders if the Company was required to adopt different accounting standards for its disclosures in Hong Kong from those in the U.S. aligning the accounting standards used for disclosures in both markets will alleviate any such confusion.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 4.10, 4.11, 19.13 and 19.25A of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules to allow the financial statements and accountants' report in the listing document to be prepared based on U.S. GAAP, subject to the following conditions:

- (a) the Company will include (i) a description of the relevant key differences between U.S. GAAP and IFRS; and (ii) a statement showing the financial effect of any material differences between the financial statements during the track record period prepared using U.S. GAAP and IFRS ("**Reconciliation Statement**") in the accountants' report with a view to enabling investors to appraise the impact of the two accounting standards on the Company's financial statements; such Reconciliation Statement is included as a note to the audited accountants' report;
- (b) the Company will include a similar Reconciliation Statement mentioned in paragraph (a) above for its interim and annual reports issued after its Listing on the Stock Exchange; such Reconciliation Statements will be included as a note to the audited financial statements in the annual reports or reviewed financial statements in the interim reports. Where the relevant financial statements are not audited or reviewed by auditors, the Reconciliation Statements required to be included as a note to such financial statements should be reviewed by its auditor in accordance with a standard comparable to International Standard on Assurance Engagements 3000 or Hong Kong Standard on Assurance Engagements 3000;
- (c) the Company will use HKFRS or IFRS in the preparation of the Company's financial statements in the event that the Company is no longer listed in the U.S. or has no obligation to make financial disclosure in the U.S.; and
- (d) the Company will comply with Rule 4.08, 19.12, 19.14 of, and note 2.6 to paragraph 2 of Appendix 16 to the Listing Rules.

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DEALINGS IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”).

The Company had over 20 subsidiaries and Consolidated Affiliated Entity as of December 31, 2021, and its ADSs are widely held, publicly traded and listed on the NYSE. The Company considers that it is therefore not in a position to control the investment decisions of its shareholders or the investing public in the U.S. To the Company’s knowledge and based on public filings with the SEC as of the Latest Practicable Date, Mr. Wang, Mr. Chen and Mr. Zhou (together as the Company’s Controlling Shareholders), holding Shares of the Company through a number of intermediaries companies held more than 10% of the voting rights of the Company. In addition, after Listing, NEA (through the Class A Ordinary Shares held by New Enterprise Associates 14, L.P. and NEA 15 Opportunity Fund L.P.) and Tencent (through Class A Ordinary Shares held by Tencent Mobility Limited and the Class A Ordinary Shares represented by ADSs owned by Image Frame Investment (HK) Limited) will be core connected persons and will be entitled to more than 10% of the voting rights of the Company on the basis that each Share entitles the Shareholder to one vote per Share with respect to shareholder resolutions relating to Reserved Matters.

Further, for a company whose securities are listed and traded in the U.S., the Company notes that it is a common practice for substantial shareholders and corporate insiders, including directors, chief executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the “**Rule 10b5-1 Plan(s)**”) to buy or sell the company’s securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, the Company considers that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Listing Rules:

- (a) Mr. Wang, Mr. Chen and Mr. Zhou, the Company’s Controlling Shareholders, in respect of their dealings pursuant to any Rule 10b5-1 Plans that have been set up prior to the Relevant Period (“**Category 1**”);

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- (b) the Company's Directors other than Mr. Wang, Mr. Chen and Mr. Yang, and the directors and chief executives of its significant subsidiaries and Consolidated Affiliated Entity (that are, subsidiaries and Consolidated Affiliated Entity that are not "insignificant subsidiaries" as defined under the Listing Rules, "**Significant Subsidiaries**", the aggregate revenue of which amounted to 99.4%, 96.9% and 90.5% of the Group's total revenue for each of the year ended December 31, 2019, 2020 and 2021 respectively and the aggregate total assets of which amounted to 44.1%, 88.8% and 88.4% of the Group's total assets as of 31 December 2019, 2020 and 2021^(Note)), in respect of (i) their respective use of the Shares as security (including, for the avoidance of doubt, using their respective shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there will be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period and (ii) their respective dealings pursuant to Rule 10b5-1 Plans that have been set up prior to the Relevant Period ("**Category 2**");
- (c) directors, chief executives and substantial shareholders of the Company's insignificant subsidiaries (as defined under the Listing Rules) and their close associates ("**Category 3**"); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become the Company's substantial shareholder and who is not its director or chief executive, or a director or chief executive of the Company's subsidiaries and Consolidated Affiliated Entity, or their close associates ("**Category 4**").

Note: A substantial amount of fund raised through issuance of Series D preferred shares were transferred from the Company to a Significant Subsidiary in 2020, hence resulting in the increase of percentage accounted for the Significant Subsidiaries in terms of the Group's total assets from 2019 to 2020.

For the avoidance of doubt:

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Listing Rules;

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- (b) persons in Category 1 and Category 2 who (i) use their respective Shares other than as described in this sub-section headed “Dealings in Shares prior to Listing” or (ii) who are not dealing in the Company’s securities according to Rule 10b5-1 Plans set up before the Relevant Period are subject to the restrictions under Rule 9.09(b) of the Listing Rules; and
- (c) no share was pledged as security in connection with financing transactions by any person under Category 1 and Category 2 as at 31 December 2021 and the Latest Practicable Date.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules to be granted on the following conditions:

- (a) Categories 1 and 2 of the Permitted Persons who entered into Rule 10b5-1 Plans have no discretion over dealings in the Company’s ADSs after the plans have been entered into. Where Category 2 of the Permitted Persons use the Shares as security, other than those set out in the waiver above, there will be no change in the beneficial ownership of the Shares at the time of entering into the relevant transactions during the Relevant Period;
- (b) Categories 3 and 4 of the Permitted Persons do not have any influence over the Global Offering and do not possess any non-public inside information of the Company given that such persons are not in a position with access to information that is considered material to the Company taken as a whole. Given the large number of the Company’s subsidiaries and Consolidated Affiliated Entity and its vast ADS holder base, the Company and its management do not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in its ADSs;
- (c) the Company will promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Category 1 and Category 2 persons) are not in possession of any non-public inside information of which the Company is aware and will not have any influence over the Global Offering;
- (d) the Company will notify the Stock Exchange of any breaches of the dealing restrictions by any of its core connected persons during the Relevant Period when it becomes aware of the same other than dealings by the core connected persons who are Permitted Persons within the permitted scopes set out above; and
- (e) prior to the Listing Date, other than within the permitted scopes set out above, the Company’s directors and chief executive and the directors and chief executives of its Significant Subsidiaries and their close associates will not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the

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Shares shall not include the granting, vesting, payment or exercise (as applicable) of incentive and non-statutory options, restricted shares, dividend equivalents, and share payments under the Group's share incentive plans.

The Company believes that the circumstances relating to this waiver align with those set out in the Stock Exchange's Guidance Letter HKEX-GL42-12 and the grant of this waiver will not prejudice the interests of potential investors.

SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 2.03(2) of the Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

Rule 10.04 of the Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to be made to directors or existing shareholders of a listing applicant or their close associates, whether in their own names or through nominees, unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows:

- (a) that no securities are offered to the subscribers or purchasers on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (b) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

The Stock Exchange's Guidance Letter HKEX-GL85-16 provides that the Stock Exchange will consider granting a waiver from Rule 10.04 and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules allowing an applicant's existing shareholders or their close associates to participate in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

The Company has been listed on the NYSE since March 2021 and has a wide and diverse shareholder base. There is a robust level of trade in the Company's securities, with significant daily trading volume resulting in daily changes to its existing shareholders. The Company is not in a position to prevent any person or entity from acquiring its listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for the Company to seek the prior consent of the Stock Exchange for each of its existing shareholders or their close associates who subscribe for Offer Shares in the Global Offering.

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The Company confirms that Category 3 of the Permitted Persons (as defined in the sub-section headed “Dealings in Shares Prior to Listing” above) and any person (whether or not an existing Shareholder of the Company) who may, as a result of dealings, become the Company’s Shareholder and who is not a director or chief executive of the Company or its subsidiaries and Consolidated Affiliated Entity, or any of their close associates (including Category 4 of the Permitted Persons (as defined in the sub-section headed “Dealings in Shares Prior to Listing” above)) have no influence over the Global Offering and is not in possession of any non-public inside information and are effectively in the same position as any other public investors of the Company. The aforementioned persons (other than those who are interested in 5% or more of the Company’s voting rights as disclosed in public filings with the SEC at the relevant times) and other public investors who will subscribe or purchase Shares in the Global Offering are referred to as “**Permitted Existing Shareholders**”.

To the knowledge of the Company, and based on public filings with the SEC available as of the Latest Practicable Date, other than NEA (through the Class A Ordinary Shares held by New Enterprises Associates 14, L.P. and NEA 15 Opportunity Fund, L.P.), the Company had no shareholder who was not an entity controlled by a director and who controlled 5% or more of the Company’s voting rights.

For the avoidance of doubt, without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan, Tencent (through the Class A Ordinary Share held by Tencent Mobility Limited and the Class A Ordinary Shares represented by ADSs owned by Image Frame Investment (HK) Limited) owns (a) approximately 3.52% of the effective voting rights of the Company, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per Share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per Share; and (b) approximately 10.21% of our issued Shares.

Given that among others, (i) as at the Latest Practicable Date and before the Listing, Tencent is not entitled to exercise 5% or more effective voting rights on all matters subject to vote at general meetings of our Company; (ii) as at the Latest Practicable Date and before the Listing, Tencent is not a core connected person of our Company nor a close associate of a core connected person of our Company; and (iii) Tencent does not have any power to appoint any Director to the Board, does not have any Directors appointed to represent its interest in the Company, and does not have any other special rights, Tencent is a Permitted Existing Shareholder and will be subject to the same conditions in respect of the restrictions on other Permitted Existing Shareholders as mentioned below. After the Listing, Tencent will become a substantial shareholder and a core connected person on the basis that it will be entitled to exercise 10% or more effective voting rights in our Company with respect to shareholder resolutions relating to the Reserved Matters after Listing.

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The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the restriction on each Permitted Existing Shareholder, subject to the following conditions:

- (a) each Permitted Existing Shareholder is interested in less than 5% of the Company's voting rights immediately before the Listing;
- (b) as at the Latest Practicable Date and before the Listing, other than the Categories 3 and 4 of the Permitted Persons, each Permitted Existing Shareholder is not a core connected person of our Company or a close associate of a core connected person of our Company;
- (c) each Permitted Existing Shareholder is neither a director nor member of the senior management of the Company or its subsidiaries and Consolidated Affiliated Entity or any of their close associates;
- (d) the Permitted Existing Shareholders do not have the power to appoint directors of, or any other special rights in, the Company;
- (e) the Permitted Existing Shareholders do not have influence over the offering process and will be treated the same as other applicants and placees in the Global Offering;
- (f) the Permitted Existing Shareholders will be subject to the same book-building and allocation process as other investors in the Global Offering;
- (g) no preferential treatment will be given to the Permitted Existing Shareholders in the allocation process by virtue of their relationship with the Company. Each of the Company, the Joint Bookrunners and the Joint Sponsors (based on its discussions with the Company, the Joint Bookrunners and the Joint Sponsors and the confirmations required to be submitted to the Stock Exchange by the Company, the Joint Bookrunners and the Joint Sponsors), will or have confirmed to the Stock Exchange in writing that, to the best of its knowledge and belief, that no preferential treatment has been, nor will be, given to the Permitted Existing Shareholders as a placee in the International Offering by virtue of their relationship with the Company; and
- (h) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

The Company expects that, save for Categories 3 and 4 of the Permitted Persons are core connected persons of the Company, all the conditions set out in paragraph 4.20 of Guidance Letter HKEX-GL85-16 will be satisfied, and details of allocation will be disclosed in the prospectus (for cornerstone investors (if any)) and allotment results announcement (for cornerstone investors (if any) and placees) and, in any event, no actual or perceived preference will be given to the Permitted Existing Shareholders due to their existing shareholdings in the Company.

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EXERCISE PRICE OF OPTIONS TO BE GRANTED PURSUANT TO THE 2015 EQUITY INCENTIVE PLAN AFTER THE LISTING

Note (1) to Rule 17.03(9) of the Listing Rules states that the exercise price of an option must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

Since the listing of the Company's ADSs on the NYSE on March 18, 2021, it has been the Company's practice to issue options exercisable into ADSs (each of which represents one underlying Class A Ordinary Share) under the 2015 Equity Incentive Plan and the Company will continue to issue options exercisable into ADSs after the Listing. By definition, ADSs are denominated in U.S. dollars, and the exercise price for options with respect to ADSs will necessarily be presented in U.S. dollars. Pursuant to the waiver from strict compliance with Rules 4.10, 4.11, 19.13 and 19.25A of, and Note 2.1 to Paragraph 2 of Appendix 16 of the Listing Rules described under the sub-section headed "– Use of U.S. GAAP" above, the Company will continue to prepare its accounts based on U.S. GAAP after the Listing in line with its established practice of granting options with exercise prices and RSUs with grant values denominated in U.S. dollars and tied to the market price of its NYSE-traded ADSs.

On the basis that (a) the method for determining the exercise price of the options based on the market price of ADSs substantially replicates the requirement in Note (1) to Rule 17.03(9) of the Listing Rules, and (b) it has been the Company's practice to issue options exercisable into ADSs with exercise prices denominated in U.S. dollars, and the Company will continue to grant options under the 2015 Equity Incentive Plan with exercise prices based on the market price of its ADSs which are denominated in U.S. dollars after the Listing, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules such that the Company be able to determine the exercise price for grants under its share option schemes based on the higher of: (i) the per-share closing price of the Company's ADSs on the NYSE on the date of grant, which must be a NYSE trading day; and (ii) the average per-share closing price of the Company's ADSs on the NYSE for the five NYSE trading days immediately preceding the date of grant, subject to the condition that the Company shall not issue any share options with an exercise price denominated in Hong Kong dollars unless such exercise price complies with Note (1) to Rule 17.03(9) of the Listing Rules.

WAIVER AND EXEMPTION IN RELATION TO THE 2015 EQUITY INCENTIVE PLAN

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

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Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the prospectus.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2015 Equity Incentive Plan to 551 grantees (including Directors and other grantees of our Group), to subscribe for an aggregate of 59,763,675 Class A Ordinary Shares. As of the Latest Practicable Date, among the outstanding options, the Directors, connected persons and grantees of our Group (who are not Directors, members of senior management or connected persons of the Company) were granted options to subscribe for 16,600,000, 500,000 and 42,663,675 Class A Ordinary Shares, respectively. The Class A Ordinary Shares underlying the granted options represent approximately 10.33% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan). No further options will be granted pursuant to the 2015 Equity Incentive Plan between the Latest Practicable Date (for the purpose of the final prospectus) and the Listing. For further details of our 2015 Equity Incentive Plan, see the section headed “Statutory and General information – 1. The 2015 Equity Incentive Plan” in Appendix IV to this prospectus.

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We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the options and certain grantees in this prospectus on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

- (a) as of the Latest Practicable Date, we had granted outstanding options to a total of 551 grantees under the 2015 Equity Incentive Plan to acquire an aggregate of 59,763,675 Class A Ordinary Shares, representing approximately 10.33% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the Equity Incentive Plan). The grantees under the 2015 Equity Incentive Plan include three Directors, a connected person and 547 grantees of our Group (who are not Directors, members of senior management or connected persons of our Company);
- (b) our Directors consider that it would be unduly burdensome to disclose in the prospectus full details of all the options granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and prospectus preparation for strict compliance with such disclosure requirements. For example, we would need to collect and verify the addresses of over 540 grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each grantee, including their names, addresses and the number of options granted, may require obtaining consent from the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of grantees;
- (c) material information on the options has been disclosed in the prospectus to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options in making their investment decision, and such information includes:
 - (i) a summary of the latest terms of the 2015 Equity Incentive Plan;
 - (ii) the aggregate number of Class A Ordinary Shares subject to the options and the percentage of our Shares of which such number represents;
 - (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan);

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- (iv) full details of the options granted to Directors and members of the senior management (if any), connected persons (if any) of our Company and grantees who are granted options to subscribe for 3,000,000 or more Class A Ordinary Shares, on an individual basis, are disclosed in the prospectus, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule to the Companies Ordinance;
- (v) with respect to the options granted to other grantees (other than those referred to in (iv) above), disclosure are made in the prospectus on an aggregate basis, categorized as lots based on the number of Class A Ordinary Shares underlying each individual grants, being (i) 1 to to 99,999 Class A Ordinary Shares; (ii) 100,000 to 499,999 Class A Ordinary Shares; (iii) 500,000 to 999,999 Class A Ordinary Shares; (iv) 1,000,000 to 1,999,999 Class A Ordinary Shares and (v) 2,000,000 or above Class A Ordinary Shares, the following details will be disclosed in the prospectus, including the aggregate number of such grantees and the number of Class A Ordinary Shares subject to the options, the consideration paid for the grant of the options and the exercise period and the exercise price for the options; and
- (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively,

the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEX-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange;

- (d) the 545 grantees who are not Directors, members of the senior management or connected persons of the Company and who are granted options to subscribe for less than 3,000,000 Class A Ordinary Shares, have been granted options under the 2015 Equity Incentive Plan to acquire an aggregate of 33,523,675 Class A Ordinary Shares, which is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company;
- (e) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group; and
- (f) a full list of all the grantees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule will be made available for inspection in accordance with the section headed “Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in this prospectus.

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The Stock Exchange has granted us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions that disclosure in respect of the information referred to in paragraph (c) above has been made in this prospectus.

The SFC has granted us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of the options under the 2015 Equity Incentive Plan granted to our Directors, members of the senior management (if any), connected persons (if any) of the Company and grantees who are granted options to subscribe for 3,000,000 or more Class A Ordinary Shares will be disclosed in this prospectus and such details include all the particulars required by paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the 2015 Equity Incentive Plan to grantees other than those referred to in (a) above, disclosure are made in the prospectus on an aggregate basis, categorized as lots based on the number of Class A Ordinary Shares underlying each individual grants, being (i) 1 to to 99,999 Class A Ordinary Shares; (ii) 100,000 to 499,999 Class A Ordinary Shares; (iii) 500,000 to 999,999 Class A Ordinary Shares; (iv) 1,000,000 to 1,999,999 Class A Ordinary Shares and (v) 2,000,000 or above Class A Ordinary Shares, the following details, including (i) the aggregate number of such grantees and the number of Shares subject to the options granted to them under the 2015 Equity Incentive Plan, (ii) the consideration paid for the grant of the options under the 2015 Equity Incentive Plan, and (iii) the exercise period and the exercise price for the options granted under the 2015 Equity Incentive Plan;
- (c) a full list of all the grantees (including the persons referred to in (a) above) who have been granted options to subscribe for Shares under the 2015 Equity Incentive Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for inspection in accordance with the section headed “Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in this prospectus; and
- (d) the particulars of the exemption be set forth in this prospectus and that this prospectus will be issued on or before June 22, 2022.

DISCLOSURE OF OFFER PRICE

Paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules provides that the issue price or offer price of each security must be disclosed in the listing document.

WAIVERS AND EXEMPTIONS

As the Company's ADSs are listed and traded on the NYSE, with a view to aligning the interest of securities holders in both United States and Hong Kong, the Public Offer Price will be determined with reference to, among other factors, the closing price of the Company's ADSs on the NYSE on the last trading day on or before the Price Determination Date. The market price of the Company's ADSs traded on the NYSE is subject to various factors including the overall market conditions, the global economy, the industry updates, etc., and is not within the control of the Company.

Setting a fixed price or a price range with a low-end offer price per Offer Share may be regarded by the investors and shareholders of the Company as an indication of the current market value of the Shares, which may adversely affect the market price of the ADSs of the Company and the Offer Shares.

Further, the International Offer Price may be set at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) the Company believes that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process, and if the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will the Public Offer Price be set above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

There is sufficient disclosure in the prospectus in relation to the pricing mechanism above as this prospectus contains (i) the time for determination of the Public Offer Price and form of its publication; (ii) the historical prices of the Company's ADSs and trading volume on the NYSE; and (iii) the source for investor to access the latest market price of the Company's ADSs in the section headed "Structure of the Global Offering – Pricing and Allocation" in the prospectus to provide sufficient information to the investors.

Given in no circumstances will the Public Offer Price for the Hong Kong Offer Shares be greater than the maximum Public Offer Price as stated in this prospectus and the **GREEN** Application Form and the Company will disclose the maximum Public Offer Price for the Hong Kong Offer Shares in the prospectus. On this basis, disclosure of a maximum Public Offer Price which provides clear indication of the maximum subscription consideration which a potential investor shall pay for Hong Kong Offer Shares, complies with the requirements prescribed under Paragraph 10(b) of the Third Schedule to the Companies (WUMP) Ordinance to specify the price to be paid for shares subscribed for in the prospectus.

Based on the above, we have applied for, and the Stock Exchange has granted us a waiver from strict compliance with paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules.

WAIVERS AND EXEMPTIONS

TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE

Paragraph 32 of Part A of Appendix 1 to the Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant's indebtedness as at a specified most recent practicable date (the “**Most Recent Practicable Date**”), and a commentary on its liquidity, financial resources and capital structure (together, the “**Liquidity Disclosure**”).

In accordance with Stock Exchange's Guidance Letter HKEX-GL37-12 (“**GL37-12**”), the Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before: (a) the date of the application proof of the listing document and (b) the final date of the listing document.

As this prospectus is expected to be published in June 2022, the Company would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than April 2022 pursuant to GL37-12. Given that the Company has included in this prospectus unaudited quarterly financial information for the three months ended March 31, 2022 reviewed by our reporting accountant, it would be unduly burdensome for the Company to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of the Company's first financial quarter in the year ending December 31, 2022. For a detailed commentary on the Group's liquidity position, please refer to the paragraph headed “Financial Information – Liquidity and Capital Resources” and “– Working Capital” in this prospectus.

As a NYSE listed company, the Company announces financial results at the end of each year and may announce quarterly financial results at the end of each quarter (the “**quarter-end cut-off dates**”) of its financial year, and may routinely include certain liquidity disclosure in such quarterly results (the “**routine quarterly liquidity disclosures**”).

Strict compliance with the Liquidity Disclosure requirements would constitute an additional one-off disclosure by the Company of its liquidity position on a date which would otherwise not be required to be disclosed to investors in the U.S. under applicable U.S. regulations and NYSE rules. Such one-off disclosure as of a cut-off date other than the quarter-end cut-off dates would deviate from its customary practice and that of other NYSE listed companies and would likely confuse the Company's existing investors.

In any event, if there are any material changes to such disclosures, the Company would be required to make an announcement pursuant to U.S. regulations and NYSE rules and disclose relevant material facts in this prospectus pursuant to the Listing Rules.

In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

WAIVERS AND EXEMPTIONS

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the timing requirement for the Liquidity Disclosure in this prospectus under Paragraph 32 of Part A of Appendix 1 to the Listing Rules, such that to allow the Company to rely on its financial information as at March 31, 2022 for the disclosure of the Company's indebtedness and liquidity information in this prospectus.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, please refer to the section headed "Connected Transactions" in this prospectus.

WAIVER IN RELATION TO COMPANY ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and (4) of the Listing Rules require that the new applicant include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and (4) of the Listing Rules taking into account the following factors.

- (a) That all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;
- (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rules 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition

WAIVERS AND EXEMPTIONS

and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, “control” means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or

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

Background of the acquisition

Since December 31, 2021 (being the date to which our latest audited accounts have been made up as at the date of the final prospectus) and up to the Latest Practicable Date, our Group has proposed to make the strategic minority investment in the following company (the “Investment”):

No.	Investee company	Date of agreement	Amount of consideration	Consideration settlement date	Date of completion of the investment	Percentage of pro forma shareholding/equity interest acquired/to be acquired after completion of the transaction	Principal business
1.	Company A	February 21, 2022	RMB10,000,000	March 14, 2022	March 14, 2022	0.53%	Design, research and development and sale of communication chips

WAIVERS AND EXEMPTIONS

The consideration for the Investment was determined through the arms' length negotiations based on the valuation negotiated by lead investor with reference to the target company's prospects. The investment has been settled by the Group in cash using our internal resources, with no guarantee or security given or required. The consideration has been settled at the same time as the date of completion. There has been no arrangement for payment on a deferred basis. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, Company A and its ultimate beneficial owners are third parties independent from our Group and our connected persons.

The reason for the investment in Company A is to invest in business that is complementary to our business and growth strategies. Since Company A principally engages in the business of design, research and development and sale of communication chips, which may help us secure stable supply of chips to be integrated with modules at favourable terms, we believe that the Investment could create strategic synergy and support our long-term business development.

Conditions to the waivers granted by the Stock Exchange

We have applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Investment on the following grounds:

(a) Ordinary and usual course of business and independent third parties collaboration

We aim to make equity investments in related business verticals with a view to create synergies with business partners. As explained above, Company A is engaged in business activities complementary with and related to the existing business of our Group. As a result, we are of the view that entering into the Investment is within part of the ordinary and usual course of business of our Company. In addition, to the best of our knowledge, the counterparties of the Investment and their ultimate beneficial owners are third parties independent of our Company and its connected persons (as defined in Chapter 14A of the Listing Rules).

(b) Immateriality

Based on the financial information of Company A available to us, as compared to that of our Group for the year ended December 31, 2021, being our most recent audited financial year of the Track Record Period, all the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the Investment are below 5%.

Accordingly, we consider that the Investment is immaterial and do not expect them to have any material effect on the business, financial conditions or operations of our Group. As such, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential investors' assessment of our business and future prospects when considering an investment in our Company.

WAIVERS AND EXEMPTIONS

(c) Acquisition of minority interests only and absence of control

As set out above, we only acquire a minority equity interest in Company A. As is typical for minority investments, we do not control the board of directors of Company A and therefore, we are not able to exercise any control, nor have any significant influence in Company A. This is expected to remain the case for any subsequent investments of additional interests or other subsequent investments (if any). Given that our Group is not able to exercise any control, or have any significant influence over Company A, our Company is not able to compel or it is not reasonably practicable to request Company A to cooperate with the audit work in order for our Company to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. Given the immateriality of Company A to the business, financial condition or operations of our Group, it would also be unduly burdensome and would require considerable time and resources for our Company and our reporting accountant to prepare the necessary information and supporting documents for the purpose of disclosure of their audited financial information in the Prospectus.

(d) Alternative disclosure in the Prospectus

We have provided in this section alternative information in connection with the Investment. Such information includes, where applicable, those which would be required for a discloseable transaction under Chapter 14 of the Listing Rules including, for example, description of Company's principal business activities, the amount of consideration, reasons for the investments and a confirmation that counterparties and the ultimate beneficial owners of the counterparties are third parties independent from our Group and our connected persons. For the avoidance of doubt, the names of Company A is not disclosed in the waiver application or this Prospectus because (i) we do not have consent from Company A for such disclosure and (ii) given the competitive nature of the industry in which we operate, it is commercially sensitive for our Company to disclose the identity of Company A as such disclosure may allow our competitors anticipate our plans of business growth.

Our Company will not use any proceeds from the Global Offering to fund such Investment.

WAIVER IN RELATION TO LAYING 2021 ANNUAL FINANCIAL STATEMENTS BEFORE MEMBERS AT AN ANNUAL GENERAL MEETING WITHIN SIX MONTHS AFTER THE END OF FINANCIAL YEAR

Rule 13.46(2)(b) of the Listing Rules requires an overseas issuer to lay its annual financial statements before its members at its annual general meeting within the period of six months after the end of the financial year or accounting reference period to which the annual financial statements relate. Note 2 to Rule 13.46(2)(b) of the Listing Rules provides that if an issuer has significant interests outside of Hong Kong it may apply for an extension of the six-month period.

WAIVERS AND EXEMPTIONS

The Company was incorporated in the Cayman Islands and has been listed on the NYSE for more than 12 months. The Company proposes to list its Class A ordinary shares on the Stock Exchange and accordingly, the Company is an issuer with significant interests outside of Hong Kong. Based on the Company's listing plan and pursuant to Rule 13.46(2)(b) of the Listing Rules, the Company is required to hold its first annual general meeting (the "**First AGM**") after the Listing in Hong Kong by no later than June 30, 2022.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 13.46(2)(b) of the Listing Rules on the following grounds and conditions:

Challenges and difficulties to comply with Rule 13.46(2)(b) of the Listing Rules

The First AGM will be the first time that the Company will hold an annual general meeting after the Listing and the first time that it needs to attend to a shareholder base in different geography. The Company has not historically held any general meeting with Shareholders in both the U.S. and Hong Kong.

The procedure for convening the Company's First AGM as a company with a dual primary listing in the U.S. and Hong Kong requires global coordination among various parties, including, among others, the principal and Hong Kong Share Registrar, the ADS depositary bank and Hong Kong Securities Clearing Company Limited. This procedure would require the Company, with the help of its Depositary and the Hong Kong Share Registrar, to gather the mailing details of all the securities holders, prepare and print the notice and proxy forms, and mail physical copies to, and collect vote cards from, securities holders and ADS holders. This will take longer preparation time for the Company and the relevant parties to organize, including complying with various timing requirements in the U.S. and Hong Kong.

Since this would be the Company's first time to convene a general meeting with both Shareholders in the U.S. and Hong Kong following the Listing, additional time, manpower and costs will have to be budgeted to take into account novel issues encountered by the Company and the various parties involved. The Company would face significant difficulty if it were to convene the First AGM within the period specified under Rule 13.46(2)(b) of the Listing Rules.

No additional material information available to the Shareholders and the investors

The prospectus will be published on the Stock Exchange's website in June 2022, which will include the audited financial information of the Company for the year ended December 31, 2021 and other information as required by the Listing Rules. Therefore, upon the issue of the prospectus in June 2022, the Company will have provided its Shareholders with all of the information required under Rules 13.46(2)(b) as early as in June 2022.

WAIVERS AND EXEMPTIONS

Therefore, laying the annual financial statement for the year ended December 31, 2021 at the First AGM within six months after the end of the financial year, i.e. on or before June 30, 2022 as required under Rule 13.46(2)(b) of the Listing Rules, would not provide the Shareholders and potential investors with additional material information not already contained in the prospectus.

Given that all the information required under Rule 13.46(2) of the Listing Rules will be included in the prospectus and available to its Shareholders and potential investors, its Shareholders and potential investors will not be unfairly prejudiced by the Company laying its annual financial statement in an annual general meeting not within six months after the end of the year ended December 31, 2021.

Compliance with relevant laws and regulations and the Articles

For the avoidance the doubt, it will not be a breach of the Company's current effective constitutional documents, laws and regulations of its place of incorporation or other regulatory requirements as a result of not holding an annual general meeting in the manner prescribed by Rule 13.46(2)(b) of the Listing Rules.

Section 302 of the NYSE Listed Company Manual requires that each company listing common stock or voting preferred stock and their equivalents are required to hold an annual shareholders' meeting for the holders of such securities during each fiscal year. The NYSE allows the Company, as a foreign private issuer, to rely on home country practices in lieu of meeting the NYSE requirement regarding the annual general meeting.

As confirmed by the Company's legal advisor as to Cayman Islands laws, the Cayman Companies Act does not require the Company to follow or comply with the requirement under the Listing Rules to hold the First AGM by June 30, 2022 to lay before members the annual financial statements for the year ended December 31, 2021. The Company will not breach any laws and regulations applicable to the Company currently in force in the Cayman Islands and the Articles if it does not hold the First AGM by June 30, 2022.

On the above basis, the Company confirms that, not having the First AGM prior to June 30, 2022 will not result in the Company breaching the relevant requirements under the NYSE rules, U.S. securities laws, Cayman Islands laws or the Articles.

The Company expects to hold its First AGM for the year ended December 31, 2021 no later than November 30, 2022, and the Company will hold an annual general meeting within six months after the end of its financial year starting with the annual general meeting for the year ended December 31, 2022.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. WANG Xueji (王學集)	Room 1502, Building 27 Century New City Wener West Road, Hangzhou Zhejiang, China	Chinese
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Mr. CHEN Liaohan (陳燎罕)	34-1-1201, Century New City Xihu District, Hangzhou Zhejiang, China	Chinese
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Mr. YANG Yi (楊懿)	Room 201, Unit 1, Building 5 Lvye Huayu Yuan Liangzhu Cultural Village Liangzhu Road Yuhang District, Hangzhou Zhejiang, China	Chinese
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Ms. LIU Yao (劉堯)	Flat G, 12/F, Block 3 Sorrento, 1 Austin Road Kowloon, Hong Kong	Chinese
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Non-Executive Director

Ms. HONG Jing (洪婧)	15/C3, Paterson Building Block C 37 Paterson Street Causeway Bay, Hong Kong	Chinese
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DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. HUANG Sidney Xuande (黃宣德)	80 Holland Park London W11 3SG United Kingdom	American
Mr. QIU Changheng (邱昌恒)	Shangshangting 8-2201 Tangping Road Hangzhou, China	Chinese
Mr. KUOK Meng Xiong (郭孟雄) (alias GUO Mengxiong)	93 Grange Road #07-08 Grange Residences Singapore 249614	Singaporean
Mr. YIP Pak Tung Jason (葉栢東)	Flat 902, Block G Kornhill, Quarry Bay Hong Kong	Chinese

Note: As of the Latest Practicable Date, Mr. Jeffrey Robert IMMELT, Ms. Carmen I-Hua CHANG, Mr. Scott David SANDELL and Ms. GAO Qing (高青) were our Directors. Each of Mr. Jeffrey Robert IMMELT, Ms. Carmen I-Hua CHANG and Mr. Scott David SANDELL has resigned from directorship before date of this prospectus. Ms. GAO Qing will resign from directorship, conditional and effective upon Listing and the appointment of Mr. HUANG Sidney Xuande (黃宣德), Mr. QIU Changheng (邱昌恒), Mr. KUOK Meng Xiong (郭孟雄) (alias GUO Mengxiong) and Mr. YIP Pak Tung Jason (葉栢東) as independent non-executive Directors will become effective at the same time. The appointment of Mr. HUANG Sidney Xuande, Mr. QIU Changheng and Mr. KUOK Meng Xiong (alias GUO Mengxiong) has been approved in the meeting of the Board on January 22, 2022, and the appointment of Mr. YIP Pak Tung Jason has been approved in the meeting of the Board on June 15, 2022. The appointment of these four independent non-executive Directors would allow us to meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules and our Board will include at least three independent non-executive Directors, who shall represent at least one-third of our Board. We have also determined that each of Mr. HUANG Sidney Xuande, Mr. QIU Changheng, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. YIP Pak Tung Jason meets the independence standards under applicable U.S. regulations.

For details with respect to our Directors, please see the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China International Capital Corporation
Hong Kong Securities Limited

29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited

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

Morgan Stanley Asia Limited

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

Joint Representatives and Joint Global Coordinators

China International Capital Corporation
Hong Kong Securities Limited

29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Morgan Stanley Asia Limited

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

Merrill Lynch (Asia Pacific) Limited

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and Joint Lead
Managers**

**China International Capital Corporation
Hong Kong Securities Limited**
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Tiger Brokers (HK) Global Limited
18th Floor, Central 88
88 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to our Company

As to Hong Kong law and United States law

Davis Polk & Wardwell

18th Floor
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law

Jia Yuan Law Offices

F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
China

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

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

Legal Advisors to the Joint Sponsors and the Underwriters

As to Hong Kong law and United States law

**Cleary Gottlieb Steen & Hamilton
(Hong Kong)**

37th Floor, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

As to PRC law

Jingtian & Gongcheng

34th Floor, Tower 3, China Central Place
77 Jianguo Road, Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Reporting Accountant and
Independent Auditor**

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong

Industry Consultant

**China Insights Industry Consultancy
Limited**
10F, Block B, Jing'an International Center
88 Puji Road, Jing'an District
Shanghai
China

Compliance Advisor

Guotai Junan Capital Limited
26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office	PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Huace Center, Building A, 10/F Xihu District, Hangzhou City Zhejiang Province, 310012 China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	<u>ir.tuya.com</u> <i>(The information contained in this website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. CHAI Xiaolang (柴曉浪) Room 3E, Building 2 103 Dong Zhu An Bang Road Chang Ning District Shanghai, China Ms. TANG King Yin (鄧景賢) ACG, HKACG 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Ms. LIU Yao (劉堯) Flat G, 12/F, Block 3 Sorrento, 1 Austin Road Kowloon, Hong Kong Ms. TANG King Yin (鄧景賢) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. HUANG Sidney Xuande (黃宣德)
(Chairman)
Mr. KUOK Meng Xiong (郭孟雄)
(alias GUO Mengxiong)
Mr. QIU Changheng (邱昌恒)

Compensation Committee

Mr. QIU Changheng (邱昌恒) (Chairman)
Mr. KUOK Meng Xiong (郭孟雄)
(alias GUO Mengxiong)
Mr. WANG Xueji (王學集)

Nomination Committee

Mr. QIU Changheng (邱昌恒) (Chairman)
Mr. KUOK Meng Xiong (郭孟雄)
(alias GUO Mengxiong)
Mr. CHEN Liaohan (陳燎罕)

Corporate Governance Committee

Mr. QIU Changheng (邱昌恒) (Chairman)
Mr. KUOK Meng Xiong (郭孟雄)
(alias GUO Mengxiong)

**Principal Share Registrar and
Transfer Office**

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

Hong Kong Share Registrar

**Computershare Hong Kong Investor
Services Limited**
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Principal Banks

**China Merchants Bank, Hangzhou Chen
Xi Branch**
No. 488, Wen San Road
Xi Hu District, Hangzhou
Zhejiang, China

CORPORATE INFORMATION

**Industrial and Commercial Bank of
China, Hangzhou**

Wu Lin Branch

No. 399, Ti Yu Chang Road
Xia Chen District, Hangzhou
Zhejiang, China

**Bank of China, Hangzhou High and New
Technology Industrial Development Zone
Branch**

No. 390, Wen San Road
Xi Hu District, Hangzhou
Zhejiang, China

INDUSTRY OVERVIEW

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OVERVIEW OF GLOBAL IoT INDUSTRY

Definition and Analysis of Internet of Things Era

Internet of Things, or “IoT” – the concept of connecting physical devices to a large, interconnected network – is profoundly transforming the way individuals interact with the physical world and changing how device companies develop products.

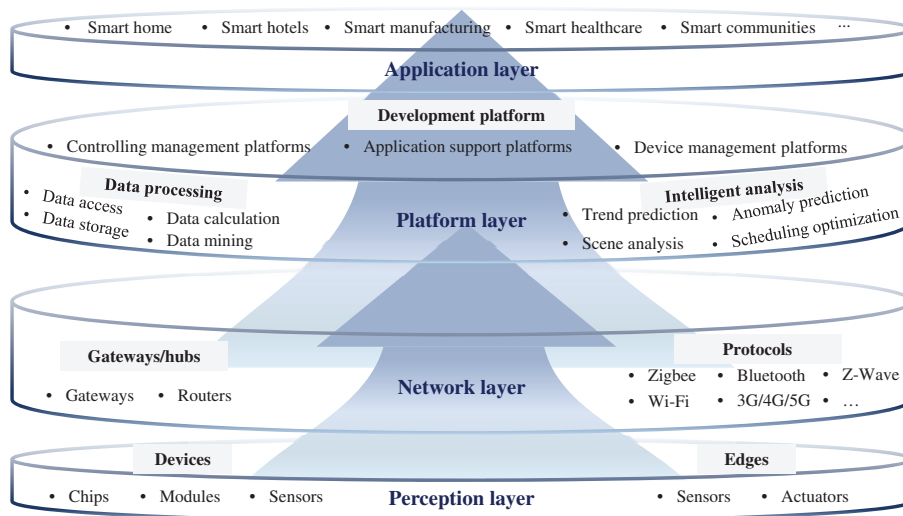
In the past decade, mobile internet transformed people’s way of life. The proliferation of high-speed connections and advances in computing, storage and networking capabilities have enabled billions of people to communicate using smart mobile phones, or “smartphones”. Additionally, cloud-based technologies have enabled development of mobile software applications, or “apps” that brought fundamental changes to customer experience and business operations. As a result, the operating systems that run mobile devices and mobile software application development tools have converged to fuel a vibrant ecosystem of phones, users, developers and applications. Today there are billions of mobile phone users and millions of mobile apps. These mobile apps have enabled people to socialize online, consume local services and conduct their lives from a smartphone.

The IoT era transcends the mobile internet, with distributed computing integrated with cloud infrastructure to support a rich set of applications and cloud-based services. Various dimensions of the mobile internet extend to the IoT era. Social will evolve into Assistant that understand user needs through built-in and cloud-based AI. Local will evolve into Space that maximizes user mobility by covering broader service possibilities such as autonomous driving and checkout-free shopping. Mobile will evolve into Things that makes more devices smart beyond the phones, ranging from smart home to smart manufacturing. The above new dimensions of the IoT era show a massive opportunity for businesses to create value.

Architecture of IoT

The IoT architecture includes four layers including perception, network, platform and application. Typically, the data flow starts from the perception layer, which involves the sensors and actuators installed on the devices that collect information such as voice, ambient temperature and others about the environment or actions surrounding the smart devices in order to monitor or control the smart devices. In the network layer, raw data collected in the perception layer is converted from analog into a digital format, and then packaged and transmitted to the platform layer through protocols including gateways and hubs. The platform layer pre-processes, stores, and analyzes the data for subsequent monitoring, rule triggering and management and then sends it to the application layer. The application layer uses the data in databases and directs it to the designated application. Therefore, changes in external environment or instructions sent by users will trigger the intended action at the device level based on the data flow described above. IoT is based on advanced technologies such as cloud computing, AI, big data and other advanced technologies, and has the characteristics of connectivity, intelligence, scalability, and modularity. The graph below shows the architecture of IoT.

Architecture of IoT



Note: the majority of IoT data is device data.

Source: The CIC Report

Use Cases and Vertical Applications of IoT

Similar to the mobile internet in past decade, IoT is fundamentally changing people's way of life through millions of applications for a broad range of use cases. Smart home, smart business, and smart industries are among the first major markets for IoT penetration. The following selection of the verticals with most IoT related applications illustrates the value proposition that accelerates demand for IoT software experiences:

Smart home

Home appliances, together with many other types of smart home devices, when equipped with connectivity, IoT features and software interfaces, can be controlled remotely as well as trigger automatic operations based on time, environment or other connected devices' inputs, ultimately achieving smart operation, cost efficiency, end user convenience and increased device value, resulting in a superior user-experience.

Smart business

Connected and software-enabled business infrastructures, such as lighting, appliances, sensors and energy-saving devices, coupled with centralized background management capabilities including smart lighting systems, community and building management systems and consumer security systems for commercial use cases, etc., allow business operators to monitor, control and program these devices and systems to optimize asset utilization, improve operation environment and reduce operating costs. One such example is smart retail, where IoT enablement can bring a self-serve express checkout shopping experience to retail stores.

Smart industries

Smart manufacturing. Software-enabled connected factory equipment allows sensing, measurement, control and communication of everything that happens throughout the manufacturing process. These devices enable remote monitoring and preventative maintenance of equipment.

Smart transportation. With software-enabled infrastructure, vehicles, traffic and mobility management, users can make better use of the transportation network in terms of routing, parking, and complying with traffic rules, and others.

Smart healthcare. IoT-enabled digital healthcare systems can seamlessly connect patients, hospitals, and device and medicine suppliers, improve medical resources utilization, automate workflows and improve hospital operational efficiency.

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Smart energy and utilities. Sensors, connectivity and analytics are applied to electric grid infrastructure to increase efficiency, improve reliability, reduce emissions, and integrate more renewable and distributed energy resources.

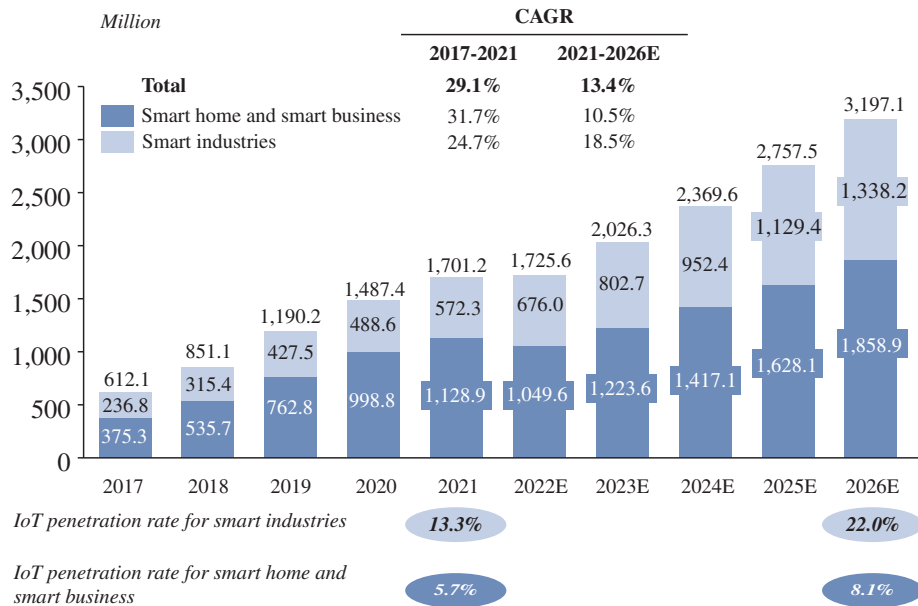
Smart agriculture. Sensors, software, connectivity analytics are applied to various aspects of smart agriculture such as smart lighting control during crop growth, weather forecast products and so on. IoT-enabled agriculture helps increase the throughput and quality of crop while reducing human labor.

Market Size of Global IoT Industry

Growing end user demand for smart devices, driven by increased affordability and improved user experiences, is driving brands to embrace IoT in their products and developers to create an innovative new generation of user centric software applications, which in turn will lead to more use cases and further demand for IoT. This virtuous cycle is driving significant growth in the number of IoT devices. According to CIC, shipment of smart home and smart business-related devices reached 1,128.9 million in 2021 and is expected to grow to 1.9 billion by 2026, representing a CAGR of 10.5% from 2021 to 2026; shipment of smart industries-related devices reached 572.3 million in 2021 and is expected to grow to 1.3 billion by 2026, representing a CAGR of 18.5% from 2021 to 2026. The average penetration rate of IoT-enabled devices among total incremental device shipment in home and business operations was 5.7% in 2021 and is expected to grow to 8.1% in 2026. The average penetration rate of IoT-enabled devices among total incremental device shipment related to industrial operations was 13.3% in 2021 and is expected to grow to 22.0% in 2026. The foregoing forecast of shipment of smart devices and average penetration rate of IoT-enabled devices has taken into consideration the impact of the Russia-Ukraine war in 2022 which has, since its onset, resulted in a strong, lasting influence on the world's total economic production. The restrictions and sanctions imposed on Russia has also put pressure on the global industry chain, leading to widespread shortages, shipping delays and higher prices. Most countries have encountered rising inflation, resulting in weakened consumers spending on smart devices. The chart below shows the global IoT devices shipment volume by year from 2017 to 2026.

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Worldwide IoT Device Shipment Volume, 2017-2026E



Note: IoT devices related to smart home and smart business include lighting, electrical accessories, home appliances, smart consumer security and sensor devices, wellness products, education and entertainment devices, central control devices and others. IoT devices related to smart industries include those used for manufacturing, outdoor, transportation and logistics, healthcare, energy, public utilities, agriculture and others.

Source: The CIC Report

Market Drivers of the Global IoT Industry

The global IoT industry is driven by following key factors:

Adoption of cutting-edge and innovative technologies

Adoption of cutting-edge and innovative technologies, such as 5G, big data and artificial intelligence, and their integration with IoT have fueled the development of the IoT industry. The development of these technologies is expected to have a lasting positive impact on the IoT industry by making IoT implementation much easier and faster and enabling more innovative use cases.

Growing awareness and acceptance of IoT

The past decade has seen accelerating awareness and acceptance of the IoT. With the proliferation of smart devices, such as wireless body sensors and wearable devices just to name a few, for many people IoT has become part of their daily life rather than a good-to-have technology. The increased awareness of IoT has also led to more capital being invested in IoT companies.

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Increased demand for safety, convenience and quality

The increasing demand for safety, convenience and quality across a range of industries such as consumer products, manufacturing, and healthcare will continue to drive the adoption of smart devices. The benefits of IoT technologies are highlighted during the COVID-19 pandemic when businesses and organizations are increasingly relying on connected devices to perform tasks that can be no longer handled manually due to COVID-19 related restrictions and closures.

Continuous upgrade in customer demands

With the rapid development of technologies, demands of individuals and businesses for smart devices, especially when it comes to functionality, security and the range of features provided, are constantly evolving. Businesses in the IoT and adjacent industries must stay abreast of these trends and continually upgrade their business models and services to remain relevant and competitive.

The Development Trends of IoT

IoT has reached an inflection point due to the confluence of key factors:

Technology drivers are favorable.

Cost and size of components are rapidly declining. Continued technology improvements in microprocessors, memory and networking are making components smaller and less expensive.

More developed networking is ubiquitous. Various communication approaches and more developed communication technologies supported by numerous protocols such as WiFi, 5G, Bluetooth and ZigBee are increasingly available, allowing everything to be connected at any time and often at a negligible cost.

Cloud computing is readily available. Centralized computing infrastructure becomes widely accessible and highly scalable for cloud-based software.

Consumers expect better experience enabled by software.

Consumers need frictionless and natural interaction. Consumers desire the easiest and most convenient way to interact with their devices. For example, voice-enabled devices, supported by Amazon Alexa, Google Assistant or other virtual assistants, have rapidly grown in number and turned voice control into a new, mainstream user interface.

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Traditional devices need to be transformed to provide digital experiences. Traditional consumer devices have been designed for physical and manual interactions and need to be transformed to provide software experiences that allow user to easily program, control and interact with their devices through software.

Brands and business are transforming their products into smart devices.

Consistent and long-term relationship with customers is essential for businesses to thrive. Software-enabled IoT devices provide brands the opportunity to interact directly and engage deeply with their customers. As a result, brands can increase user stickiness and create new channels to connect users with other value-added services.

Business intelligence is critical. IoT helps businesses gain better insights on user demand, which in turn enable them to provide better services over longer product life cycles. The insights collected by software-enabled devices provide valuable feedback to developers, who can improve product design, build more powerful product matrix and develop better functionalities, leading to greater user experience in the long run.

Entry Barriers of the Global IoT Industry

Technology and industry expertise

Designing, releasing, and managing the development processes of millions of software-enabled products require extensive capacities and technology expertise. Traditional enterprises including OEMs and brands and other new market players may lack the knowledge, experiences, talent, and capabilities to develop software-enabled products.

Investments and capital resources

For brands, OEMs and developers, developing IoT products requires significant investments, from developing scalable platform software or middleware as well as easy-to-use developer tools, all the way to designing and testing customer-facing applications. Rigorous requirements for security, compliance, scalability and interoperability bring additional cost and complexity which requires adequate capital resources to support continuous investments and becomes as an entry barrier for new market players.

Time-to-market

There is an immediate need for brands and OEMs to deliver software-enabled experiences for traditional products. It leads to long development cycles and often loss of market share if brands and OEMs do such transformation on their own or even integrate piecemeal offerings or new market players develop the software from scratch. It becomes an entry barrier of the industry to provide IoT-enabled products in a time-managed manner.

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Key Challenges in Delivering IoT

Despite the massive market opportunities, delivering software-enabled IoT offerings faces a number of challenges for brands and IoT developers:

Lack of standardized, easy-to-use software infrastructure tools for developers

Developers for smart devices and IoT software often face a lack of widely established standards as the industry is relatively nascent. It can take tremendous effort to develop common software infrastructure with various application programming interfaces (“APIs”) that might not be compatible with each other or to migrate a set of developed software and data from one cloud provider to another. Application developers often have difficulty building and scaling this common software infrastructure to support evolving application requirements.

Inconsistent user experience

Unlike extremely mature markets such as the mobile internet, which can provide users with standardized user experiences on their smartphone system, smart devices may need users to switch between systems and applications. The lack of a common platform for different devices leads to an inconsistent user experience.

Evolving users’ needs

Consumer demand for smart devices with a broad range of functionality has been constantly evolving. Businesses delivering software-enabled IoT offerings that fail to cater to such evolving demand will be put at a competitive disadvantage.

ANALYSIS OF GLOBAL MARKET OF IOT PAAS INDUSTRY

Definition and Need of IoT PaaS Industry

With the proliferation of software, organizations increasingly need to make their software development cycles and feature update processes time- and cost-efficient. Platform-as-a-Service, or “PaaS”, emerged as a solution. PaaS refers to a platform where third party providers deliver software, infrastructure and hardware such as networking, storage, operating systems, middleware and development tools needed for software developers to build software efficiently.

Similar to the proliferation of IoT, there is an increasing demand from brands and other IoT developers for third-party IoT PaaS providers who can provide tools to make the development and update process of software-enabled IoT products both time- and cost-efficient. A comprehensive IoT PaaS company should provide a platform that includes the software, infrastructure and hardware needed to develop software-enabled IoT products and services efficiently.

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IoT PaaS offerings typically consist of the following components:

Cloud infrastructure. A cloud infrastructure hosts connected devices and provides device management and basic IoT-related services.

Edge capabilities. IoT PaaS connects and adds intelligence to physical devices through embedded systems that conduct computing, storage, connectivity and other capabilities at the edge.

App development. A set of tools for developers to create customizable apps and control panels for a variety of IoT devices. These apps will allow end users to directly interact with, control and manage the devices.

Value Propositions of IoT PaaS Industry

IoT PaaS presents strong value propositions to key participants in the IoT ecosystem.

Brands. IoT PaaS provides brands with an IoT infrastructure and easy-to-use tools to efficiently develop and customize IoT features and functionality to turn traditional products into “smart devices” without having to build the full technology stacks themselves which is costly and sometimes unsuccessful. Many brands also leverage IoT PaaS to quickly develop mobile apps for users to control the smart devices. These benefits have saved brands significant costs and time, significantly accelerating their time-to-market.

OEMs. OEMs using IoT PaaS can easily access a wide selection of IoT hardware (e.g. chips and micro-controllers) appropriate for devices across diverse use cases. This is particularly attractive for OEMs, especially those who are looking to expand their footprint to more product categories. Adopting IoT PaaS also provides OEMs with ready-to-use tools to easily develop IoT software that run on the devices, without the technical challenges associated with writing the codes from scratch. As a result of these benefits, OEMs are able to accelerate the time from product idea to mass production, which in turn allows the brands served by the OEMs to get new products to the market faster.

Developers. Top-tier IoT PaaS offerings can empower IoT developers with end-to-end and low-code/no-code development platform, large number of out-of-the-box features and the ability to tap insights from multi-dimensional aggregated data generated from connected devices across product manufacturers.

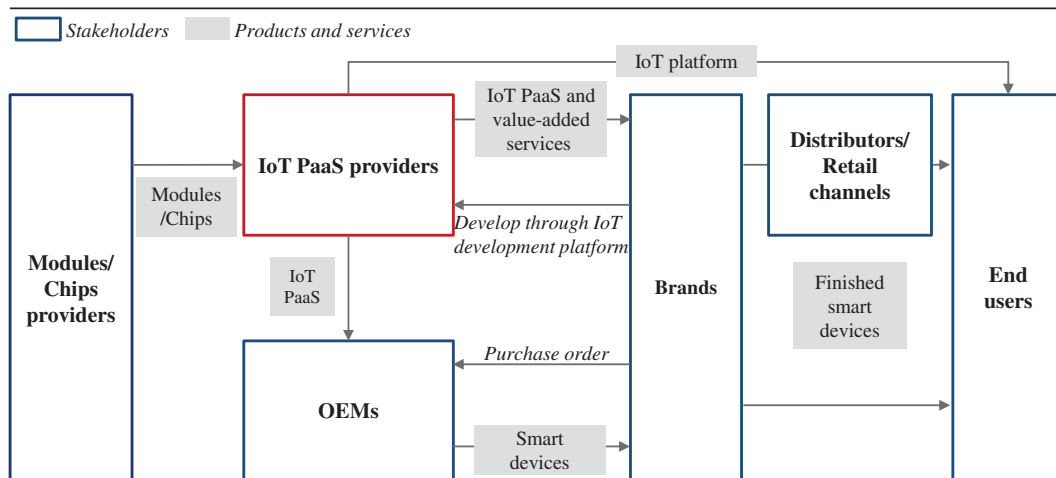
Technology partners. Partnering with IoT PaaS providers will enable technology vendors to access brands and OEMs who could potentially integrate their solutions, as well as a large community of IoT developers who may become part of such technology vendors’ user base.

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Business Model of IoT PaaS Industry

Various brands purchase smart devices from OEMs. IoT PaaS providers enable various OEMs to access a wide range of tools and services as well as platform infrastructure to develop and manage smart devices. These smart devices are then delivered to the brands, who will deliver these to end consumers through brands themselves or other distributors. Once the end-users purchase the smart devices, they can control their smart devices through the IoT platform empowered by the IoT PaaS providers. Based on the IoT platform, IoT PaaS providers can monetize not only through developing more diversified services to enable a larger variety of devices and scenarios more intelligent, but also through exploring the value-added services, such as assisting brand owners and OEMs of devices to achieve better sales performance, and helping developers develop a complete set of solutions for specific scenarios. The flow chart below shows the business model of IoT PaaS industry.

Business Model of the IoT PaaS



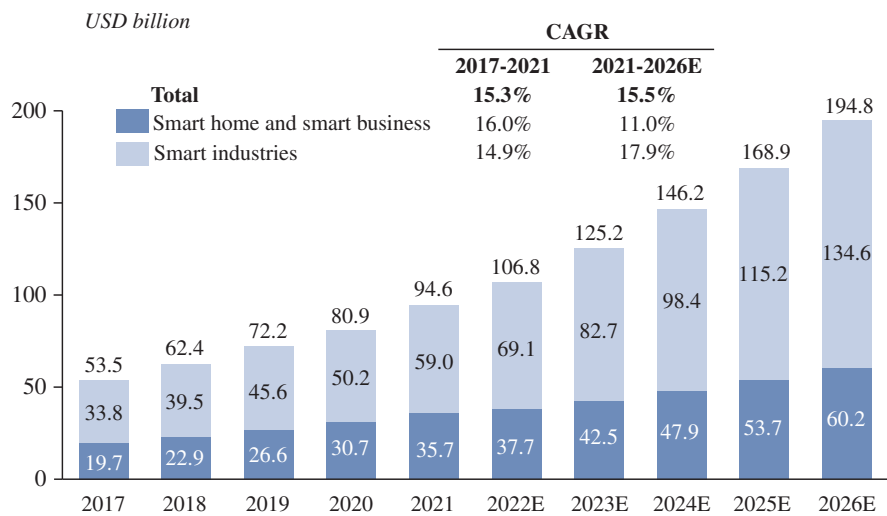
Source: The CIC Report

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Total Addressable Market of Global IoT PaaS Industry

According to CIC, the total addressable market for global IoT PaaS in 2021 was US\$94.6 billion, out of which US\$35.7 billion was attributable to smart home and smart business use cases, and US\$59.0 billion was attributable to smart industries use cases. The total addressable market of global IoT PaaS market is expected to grow at a CAGR of 15.5% from 2021 to 2026 to reach US\$194.8 billion, out of which US\$60.2 billion is attributable to smart home and smart business, and US\$134.6 billion is attributable to smart industries. The chart below shows the global IoT PaaS market opportunities by year.

Global IoT PaaS Total Addressable Market, 2017-2026E



Note: IoT devices related to smart home and smart business include lighting, electrical accessories, home appliances, smart consumer security and sensor devices, wellness products, education and entertainment devices, central control devices and others. IoT devices related to smart industries include those used for manufacturing, outdoor, transportation and logistics, healthcare, energy, public utilities, agriculture and others.

Source: The CIC Report

The total addressable market is calculated by aggregating the individual market opportunity of each segment. The addressable market sizes of most segments were calculated by multiplying the annual shipment volume of penetrable IoT devices within those segments by the unit revenue opportunity of each device. The addressable market sizes of a few other segments, such as manufacturing production lines, were calculated by multiplying the number of incremental IoT devices needed for IoT enablement by the unit revenue opportunity of each device.

The market size of global IoT PaaS in 2021 was US\$6.4 billion, out of which US\$1.8 billion was attributable to smart home and smart business, and US\$4.6 billion was attributable to smart industries. The global IoT PaaS market size is expected to grow at a CAGR of 15.7%

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from 2021 to 2026 to US\$13.3 billion in total. The global IoT PaaS market size of smart home and smart business is expected to reach US\$2.8 billion, and the global IoT PaaS market size of smart industries is expected to be US\$10.5 billion in 2026, at a CAGR of 9.8% and 17.7% from 2021 to 2026 respectively.

Key Drivers of IoT PaaS Industry

Continuous growth of IoT PaaS devices.

IoT PaaS devices will continue to experience rapid growth in the future. At present, the penetration rates of IoT PaaS devices for many industries are relatively low. With the increase of application scenarios, the diversity of devices and the number of connected devices will also increase significantly, resulting in massive interactions. In the face of a large amount of interactions, the requirements for platform's operational stability, load capacity, data processing and storage as well as balanced cost efficiency will increase exponentially, which will promote the development of the IoT PaaS market.

Advancement and innovation of technologies.

Technological advancements and innovations such as 5G, IoT, AI, cloud computing, and big data, have become the new direction of IoT PaaS development. During the operation of IoT PaaS, 5G, Bluetooth, Zigbee and other networking capabilities accelerate the transition of devices data, cloud computing platform speeds up data processing, and AI technology enhances the ability of data analysis. The multi-industry technological integration not only optimizes the end user experience, but also promotes the vigorous development of the IoT PaaS ecosystem. Technological advancement and innovation will promote the continuous growth of the market.

Shifting focus to core competency by manufacturers of various devices.

Manufacturers of various devices are focusing more on the building of key capabilities that are closely related to their core business. Hence, they are increasingly adopting and demanding IoT PaaS providers to provide convenient, simplified yet comprehensive services at lower costs and higher standards, further driving the development of IoT PaaS.

The replacement cycle of smart consumer electronics is very short, and the service life of consumer electronics is generally about five months to five years. Home appliance manufacturers need to make more efforts to improve the technical level and product update speed to meet the increasing demand.

Supportive government policies and regulations.

Supportive policies and regulations are expected to drive the development of the IoT PaaS market. In recent years, major markets such as China, U.S., and E.U. have continuously introduced relevant policies in IoT, cloud computing and smart cities, providing a good policy basis for the development of industries including smart home, smart business and smart

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industries. The development of the IoT industry and people's acceptance have formulated standardized customary rules for the industry and promoted the sound development of the market. Policy and regulatory support at the global level will ensure the healthy development of the market.

Key Trends of IoT PaaS Industry

More diversified and customized devices connected to the IoT PaaS market.

More diversified and customized devices will tap into the IoT PaaS market. With the popularization of smart devices, the increased demand for more intelligence in more types of devices will lead to a larger amount of connection volume on the IoT PaaS platform, thus forming a complete IoT PaaS industry ecosystem.

Wider application scenarios.

Smart living will penetration into the commercial market, including smart hotels and smart buildings, and smart industries, such as agriculture and manufacture, and the application scenarios will be broader. IoT PaaS can not only empower the digital transformation of ordinary households, but also enhance corporate and personal experience in hotels, apartments, office buildings, communities and even manufacturing and agriculture facilities. For example, commercial markets such as large-scale elderly care projects in the future will also become important exploration areas for smart living products and technology applications.

Expanding monetization potential.

With the expansion of the IoT PaaS industry, IoT PaaS providers are expected to offer more value-added services, thereby expanding monetization potential for them. For example, IoT PaaS for various industries will extend the use case of smart devices and scenario-based services to empower businesses in areas such as assisting customers to improve sales performance, building closer relationship with their users, and providing packages of services of intelligentization development in specific scenarios.

Growing market concentration.

The market has become more concentrated due to factors including manufacturing and labor costs, technological advancements, and relationships with customers. Especially for professional IoT PaaS providers, only the market leaders with deep insights and rich operational expertise in the field of smart home, smart business or smart industries can efficiently integrate the resources of partners and produce effective solutions leveraging their core competitive technology, resulting in more concentration in the IoT PaaS market. In addition, the increasing demand for cross-brand and cross-category interaction and interconnection, which can only be achieved via the same platform as the base, also drives such concentration.

Key Entry Barriers of the IoT PaaS Industry

Technology

IoT PaaS is among the most revolutionary and promising applications of IoT as it deeply integrates a wide array of technologies, such as edge and cloud computing, as well as a robust infrastructure used to store, transmit, and utilize massive volume of device data. The challenges with integrating these infrastructure and technologies have prevented many companies especially the newcomers from delivering IoT PaaS at a meaningful scale.

Customer relationships

To reach broader customers, IoT PaaS providers must adapt their solutions to meet the needs of businesses across different verticals. Top IoT PaaS providers tend to leverage their scale and market leadership to partner with the leading companies in different verticals. The partnerships have allowed these IoT PaaS providers to develop more industry-specific solutions that can be rolled out to benefit more companies in the same verticals, resulting in significant first-mover advantages that are hard to replicate by their competitors.

Capital and Talents

Creating a commercially viable IoT PaaS solution requires long-term continued investment in technology and R&D and a deep understanding in IoT and the adjacent industries. The need for a substantial amount of capital and an experienced team is a major barrier to entry for many new market entrants.

Key Challenges of the IoT PaaS Industry

Technology innovation and iteration

Besides having the necessary basis capabilities, such as IoT data storage and gateways, market players must not only continue to upgrade their IoT PaaS technologies but also convert them into products that solve complex real-world challenges and use cases. Market players who fail to innovate and adapt technologies to meet real-world needs will be at a competitive disadvantage.

Diversified customization requirements

The demand for customized solutions could vary widely across different brands and OEMs depending on the types of smart devices and the specific use cases involved. The need to meet diversified customized requirements is one of the most critical challenges faced by IoT PaaS platforms.

Raw material shortage and supply chain disruptions

To enable devices with connectivity, IoT PaaS must be embedded within physical modules installed on the devices. As a result, the IoT PaaS industry may be affected by raw material shortage and supply chain disruptions. For example, during periods of limited supply of raw materials (e.g. chips and modules), production of OEMs could be reduced or halted completely and brands and their contracted OEMs tend to reduce their spending on deployments of IoT PaaS.

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COMPETITIVE ANALYSIS OF GLOBAL IOT PAAS INDUSTRY

IoT PaaS providers span a number of categories including public cloud vendors, in-house development and third-party platforms. IoT PaaS providers are typically vendors focused on specific vertical industries. Currently, our competitors include both large, well established IoT service providers, and IoT companies or companies that offer limited capabilities that compete with only some of our offerings. We lead the market as the world's first IoT cloud development platform to provide end-to-end IoT services and the first IoT cloud development platform at scale that is cloud-agnostic according to CIC. We are the largest IoT PaaS provider in the global market of IoT PaaS in terms of the volume of smart devices powered in 2021, according to CIC. According to the same source, we ranked the first with a market share of 14.9% in the global market of IoT PaaS for smart home and smart business in terms of revenue in 2021. The chart below shows the competitive landscape of the entire global IoT PaaS industry for smart home and smart business in 2021, including both non-third party IoT PaaS providers and third-party IoT PaaS providers.

Competitive Landscape of the IoT PaaS Industry for Smart Home and Smart Business, Worldwide, 2021

Rank	Company	Market Share by Revenue (%)
1	Our Company	14.9%
2	Peer A	~9%
3	Peer B	~6%
4	Peer C	~5%
5	Peer D	~5%
Top 5 Subtotal		~38.6%
Others		~61.4%
Total		100%

Source: The CIC Report

Headquartered in the US and established in 2015, Peer A provides self-owned smart IoT devices and IoT PaaS services to corporations and individual consumers. It is a subsidiary of one of the world's largest e-commerce companies which is listed on the Nasdaq Stock Exchange.

Headquartered in PRC and established in 2018, Peer B provides self-owned smart IoT devices and IoT PaaS services to corporations and individual consumers. It is a subsidiary of one of China's largest e-commerce companies which is listed on the New York Stock Exchange and on the Hong Kong Stock Exchange.

Headquartered in the US and established in 2017, Peer C provides IoT PaaS and IoT SaaS services for corporations and individual consumers especially in the smart industry sector. It is a business unit of one of the world's largest computer software companies which is listed on the Nasdaq Stock Exchange.

Headquarter in the US and established in 2016, Peer D provides self-owned smart IoT device and IoT PaaS services to corporations and individual consumers. It is a business unit of one of the world's largest search engine companies which is listed on the Nasdaq Stock Exchange.

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ANALYSIS OF GLOBAL MARKET OF IOT SAAS INDUSTRY

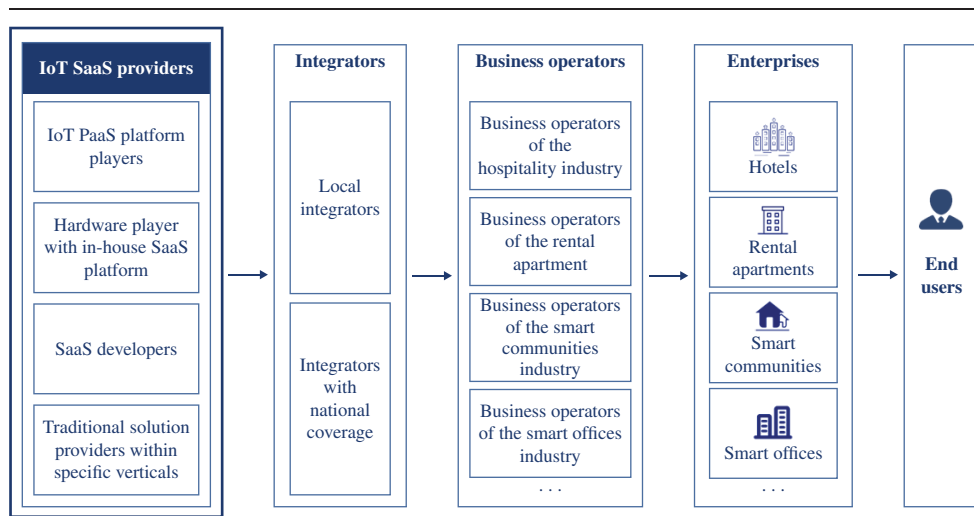
Definition and Need of IoT SaaS Industry

Proliferation of IoT devices has paved way for Software-as-a-Service, or “SaaS”, IoT solutions designed for individuals and businesses across multiple verticals who manage large number of smart devices. IoT SaaS providers (such as Tuya) develop various SaaS software with basic device management and operation functions. The SaaS software is integrated by system integrators with finished smart devices to develop more sophisticated smart solutions. These solutions are then further tailored by “business operators” for specific industries and use cases (e.g. hotel and property management) for the end business customers (e.g. hotel management companies). In many cases, system integrators are also themselves business operators.

Business Model of IoT SaaS Industry

The development of IoT SaaS involves various parties including IoT SaaS providers, integrators, business operators, downstream enterprises and the end users. Smart devices, with IoT PaaS edge capabilities embedded in modules, are provided by hardware providers. SaaS products are provided by IoT SaaS providers. Smart devices and SaaS products are combined to form the final IoT SaaS solution, which is delivered to business operators by integrators. These business operators monitor, control and program all software-enabled devices through IoT SaaS to serve the enterprises within various industries, providing the end-users with better convenience. IoT SaaS providers, and the integrators, monetize through selling the complete solution, which usually consists of hardware pricing, basic package fees, and integration fees. The flow chart below shows the business model of the IoT SaaS industry.

Business Model of the IoT SaaS



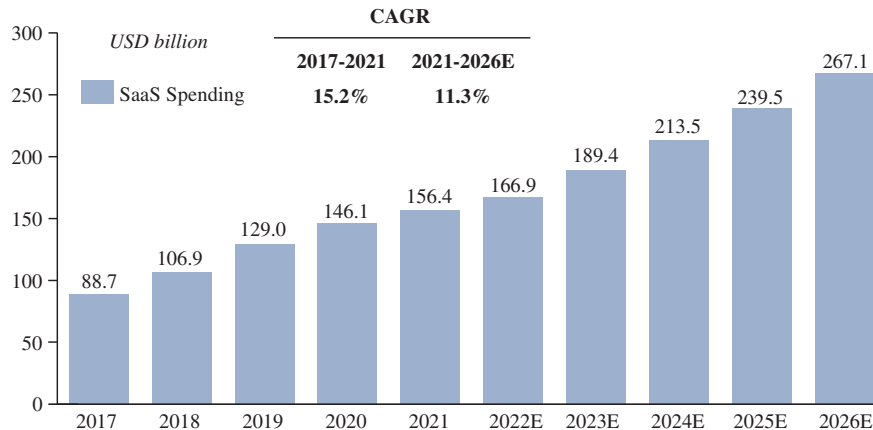
Source: The CIC Report

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Total Addressable Market of Global IoT SaaS Industry

According to CIC, the total addressable market size for global IoT SaaS in 2021 was US\$156.4 billion and is expected to grow at a CAGR of 11.3% from 2021 to 2026 to reach US\$267.1 billion. The chart below shows total addressable market size of global IoT SaaS by year.

Global IoT SaaS Total Addressable Market, 2017-2026E



Source: The CIC Report

Key Trends of IoT SaaS Industry

All-in-one IoT SaaS products

With the expansion of IoT SaaS applications in various industries, more functions can be controlled remotely and intelligently through SaaS. It tends to take longer time to download multiple applications and manage all devices through multiple applications. Users, including both enterprises and individuals, need an all-in-one software or application, which allow them to manage all connected device within one system, to easily manage all devices in a more convenient approach.

IoT SaaS products that are quicker to install

Since an increasing number of companies are eager to optimize the management of their devices, IoT SaaS products are one of the best solutions for fast and convenient management of batch devices. The time it takes to install IoT SaaS services is considered an opportunity cost. Thus, customers prefer to cooperate with SaaS providers that offer faster and easier product installation to reduce the opportunity cost of customers' digital transformation.

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Easy-to-use and stable IoT SaaS for users

The purpose of connecting various devices is to reduce device management costs. It would be difficult to address customer needs effectively if IoT SaaS products are difficult to use and regularly require professional maintenance. As a result, IoT SaaS products tend to be easy-to-use and stable for customers.

Wider application scenarios

IoT SaaS has effectively improved the industry digital transformation and customer experiences of smart home, smart business, and smart industries, attracting players from various industries that have not yet undergone digital transformation. With the fast development of IoT SaaS and the industry, IoT SaaS is expected to be more widely accepted and is expected to penetrate into people's daily life as an application for smartphones.

IoT SaaS with more customized functions

The IoT SaaS started early in some industries and the penetration rate has steadily increased. As a result, companies in these industries, including smart home and smart hotel, are exploring more customized SaaS products to better serve their customers. Designing more professionally tailored SaaS products for specific industries tends to be a growing trend in the IoT SaaS industry.

Entry Barriers of the IoT SaaS Industry

Long-term customer relationships

IoT SaaS providers primarily target those companies who have promising prospects and the potential to pioneer the sectors in which they operate. Building long-term relationships with customers requires sustained dedicated efforts in providing customized products, delivering superior experience and building a solid track record. The substantial upfront investment in these areas have presented a formidable barrier to entry that inhibits new competitors.

Technology

IoT SaaS products are often “modularized,” meaning that they are delivered as highly scalable “building blocks” so that they can be easily integrated and/or adapted for specific needs and use cases. This level of scalability benefits IoT SaaS providers as it allows them to reach the broadest potential audiences. However, the development of modularized IoT SaaS products is not an overnight process and requires substantial continued investments in technology and product innovations, which poses significant barriers to many market players.

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Talents

Talents are highly scarce resources in the IoT SaaS industry. It is not only tech talent that is in high demand; professionals experienced in marketing, consumer insights, and product operation and development, are always in short supply. The ability to attract, develop and retain talents has become a clear differentiating factor for IoT SaaS companies.

Key Challenges of the IoT SaaS Industry

Rapidly evolving market landscape

The IoT SaaS industry is still at its nascent stage of development and faced with substantial uncertainties arising from the rapidly advancing technologies, changing industry standards, shifting regulatory landscape, and evolving customer demands and preferences. Market players that fail to adapt to these challenges will find themselves at a competitive disadvantage.

Lack of reliable cloud infrastructure

IoT SaaS providers are expected to offer the reliable cloud infrastructure for their customers to operate in a secure, stable environment. The failure of many IoT SaaS providers to provide reliable cloud infrastructure has led to delays and uncertainties in delivery, which compromises customer experience.

Competition with existing alternative solutions

For many businesses, IoT SaaS represents an attractive alternative to their legacy processes but has not yet become a widely adopted or “must-have” technology. Many IoT SaaS projects are being carried out on a pilot basis, and the cost of switching to alternative approaches is relatively lower. IoT SaaS providers must deliver compelling services and experience in order to retain existing and attract new customers.

Competitive Analysis of the IoT SaaS Industry

According to CIC, the global IoT SaaS industry is highly fragmented and is still at an early stage of development, with no clear market leader and various emerging types of players.

- ***Downstream verticals and use cases.*** IoT SaaS providers offer “industry-specific” solutions for customers in a wide range of downstream verticals. These “industry-specific” solutions include smart hotels, smart homes, smart shopping malls, smart office buildings, smart parks, smart factories, and smart cities, among other things. To meet particular needs and challenges presented by different verticals and use cases, businesses utilizing IoT SaaS solutions may either develop the solutions in-house or purchase them from outside vendors or system integrators. In any event, developing and deploying IoT SaaS solutions and customizing them for

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specific use cases require IoT SaaS solutions providers to possess extensive industry know-how and expertise, and such know-how and expertise may vary significantly across different downstream verticals and use cases.

- ***Industry entry points and backgrounds.*** Players from a wide range of backgrounds have entered into the IoT SaaS market. For example, the current players in the IoT SaaS industry in China primarily include home appliance manufacturers, smart electronics brands, security camera manufacturers, cloud computing companies, real estate developers and their property management and development affiliates, real estate SaaS providers, and hotel groups, among others. These players could differ significantly from each other in terms of offerings, business models and customer relationships, among other things. For example, while some types of players offer “general” IoT SaaS solutions more easily customizable for different use cases, other players are more focused on serving customers operating in limited specific industries. In addition, while some players are more specialized IoT SaaS providers, others generally offer IoT SaaS solutions as a package with, and as an ancillary complement to, their main offerings (e.g., real estate developers). According to CIC, players in the global IoT SaaS industry are equally – if not more – diverse in their entry points and backgrounds than those in the IoT SaaS industry in China.
- ***Geographic regions.*** The businesses of current players in the global IoT SaaS industry are usually limited to specific geographic regions, and the backgrounds and industry profiles of such players vary significantly across different regions. For example, while most IoT SaaS solutions providers in the U.S. are software companies, many of their European and Chinese counterparts are brands and real estate groups, respectively.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned CIC, an independent third party, to conduct an analysis of, and to report on global IoT cloud services and global IoT PaaS industry from 2017 to 2026. The report we commissioned, or the CIC Report, has been prepared by CIC independent of our influence. We have agreed to pay CIC a fee of RMB600,000 for the preparation of the report, which we consider reflects the market rate. CIC is an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting services to both institutional investors and corporations.

The CIC Report that we commissioned includes information on global IoT cloud services industry and its sub-segments and other market and economic data, which have been quoted in this prospectus. CIC undertook both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved (i) researching diverse markets in different life cycles; (ii) referencing to publications and reports; (iii) focusing on challenges, problems, and the needs of industry participants; (iv) focusing on detailed, comprehensive, “bottom-up” data

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collection techniques; and (v) utilizing systematic measurements. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers. In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) related key industry drivers are likely to continue driving growth in the aforementioned markets during the forecast period, and (iii) there is no extreme force majeure or industry regulations by which the market situation may be affected either dramatically or fundamentally.

Except as otherwise noted, all the data and forecast in this section are derived from the CIC Report.

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REGULATION RELATING TO FOREIGN INVESTMENT

Investments activities in China by foreign investors are principally governed by the Encouraged Industries Catalog for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Catalog**”) which was promulgated by the Ministry of Commerce (the “**MOFCOM**”) and the National Development and Reform Commission (the “**NDRC**”) on December 27, 2020 and became effective on January 27, 2021 and the Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), which was promulgated by the MOFCOM and the NDRC on December 27, 2021 and became effective on January 1, 2022. The Catalog and the Negative List (2021) set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations. Article 6 of the Interpretation Note of the Negative List (2021) provides that, where a domestic enterprise engaged in the business in the prohibited areas of the Negative List (2021) seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. On January 18, 2022, the NDRC held a press conference to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applicable to the situations where domestic enterprises were seeking a direct overseas issuance and listing (i.e. H-shares listing).

According to the Negative List (2021), the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party communication, storage and forwarding and call center) must not exceed 50%.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which took effect on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法》) and became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”) which took effect on January 1, 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法實施細則》). Pursuant to the Foreign Investment Law and the Implementation Rules, the existing foreign-invested enterprises

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established prior to the effective date of the Foreign Investment Law are allowed to keep their corporate organization forms for five years from the effectiveness of the Foreign Investment Law before such existing foreign-invested enterprises change their organization forms and organization structures in accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the “**Company Law**”), the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws.

Pursuant to the Foreign Investment Law, foreign investment means the investment activities within the PRC directly or indirectly conducted by foreign natural persons, enterprises, and other organizations (the “**foreign investor**”), including the following circumstances: (1) a foreign investor, individually or collectively with other investors, establishes a foreign-invested enterprise within PRC; (2) a foreign investor acquires any shares, equities, portion of property, or other similar interest in an enterprise within the PRC; (3) a foreign investor, individually or collectively with other investors, invests in a new project within the PRC; and (4) foreign investors invest in the PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council of the PRC. The PRC applies the administrative system of pre-establishment national treatment plus negative list to foreign investment.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the “**SAMR**”) issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), and thus for foreign investors carrying out investment activities directly or indirectly in China, instead of filing formalities, foreign investors shall report their foreign investment information to the commerce authorities.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”), promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in mainland China. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications businesses into basic telecommunications businesses and value-added telecommunications businesses, according to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations and last amended by the Ministry of Industry and Information Technology (“**MIIT**”) on June 6, 2019.

REGULATIONS RELATING TO CYBERSECURITY, DATA SECURITY AND PRIVACY PROTECTION

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Cyber Security

On December 28, 2000, the SCNPC enacted the Decision on the Protection of Internet Security (《關於維護互聯網安全的決定》), as amended on August 27, 2009, which provides that the following activities conducted through the internet are subject to criminal liabilities: (1) gaining improper entry into any of the computer information networks relating to state affairs, national defensive affairs, or cutting-edge science and technology; (2) violation of relevant provisions of the State in the form of unauthorized interruption of any computer network or communication service, as a result of which the computer network or communication system cannot function normally; (3) spreading rumor, slander or other harmful information via the internet for the purpose of inciting subversion of the state political power; (4) stealing or divulging state secrets, intelligence or military secrets via internet; (5) spreading false or inappropriate commercial information; or (6) infringing on the intellectual property.

On December 13, 2005, the Ministry of Public Security issued the Provisions on the Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), which took effect on March 1, 2006. These regulations require internet service providers to take proper measures including anti-virus, data back-up, keeping records of certain information such as the log-in and exit time of users, and other related measures, and to keep records of certain information about their users for at least 60 days. On June 22, 2007, the Ministry of Public Security, State Secrecy Bureau, State Cryptography Administration and the Information Office of the State Council jointly promulgated the Administrative Measures for the Multi-level Protection of Information Security (《信息安全等級保護管理辦法》), under which the security protection grade of an information system may be classified into five grades. Companies operating and using information systems shall protect the information systems and any system equal to or above level II as determined in accordance with these measures, a record-filing with the competent authority is required.

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “Cybersecurity Law”), as adopted by the SCNPC on November 7, 2016, has come into force on June 1, 2017. Regarded as the fundamental law in the area of cybersecurity in China, the Cybersecurity Law regulates network operators and others from the following perspectives: the principle of Cyberspace sovereignty, security obligations of network operators and providers of network products and services, protection of personal information, protection of critical information infrastructure, data use and cross-border transfer, network interoperability and standardization. Network operators shall, according to the requirements of the rules for graded protection of cybersecurity, fulfill security protection obligations, so as to ensure that the network is free from interference, damage or unauthorized access, and prevent network data from being divulged, stolen or falsified. In addition, any network operator to collect personal information shall follow the principles of legitimacy, rationality and necessity and shall not collect or use

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any personal information without due authorization of the person whose personal information is collected. Each individual is entitled to require a network operator to delete his or her personal information if he or she finds that collection and use of such information by such operator violate the laws, administrative regulations or the agreement by and between such network operator and such individual; and is entitled to require any network operator to make corrections if he or she finds errors in such information collected and stored by such network operator. Such network operator shall take measures to delete the information or correct the error.

On December 28, 2021, the CAC and certain other PRC regulatory authorities promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which provides that (i) network platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing in a foreign country, and (ii) operators of “critical information infrastructure” that intend to purchase network products and services that will or may affect national security shall apply for a cybersecurity review, and (iii) network platform operators carrying out data processing that will affect or may affect national security shall apply for a cybersecurity review. The Cybersecurity Review Measures took effect on February 15, 2022 and replace the Measures for Cybersecurity Review promulgated in April 2020.

Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which took effect on September 1, 2021. According to the Data Security Law, the enterprises conducting data processing activities shall establish and improve their data security management systems, organize data security trainings and adopt corresponding technical measures and other necessary measures, with a view to guaranteeing the data security. Chapter 4 of the Data Security Law provides for the obligations of general data processing and data security protection, including: (1) establishing and improving the whole-process data security management system; (2) strengthening risk monitoring and properly handling data security incidents; and (3) legally and properly collecting and using data. According to the materials provided by the company, the company has established a relatively complete data security management system, organized and carried out data security education and training, adopted corresponding technical measures and organizations to protect data security, formulated a data security incident management system, carried out risk monitoring and assessment, handled information security level protection filing and assessment for call center service platforms, and performed corresponding network security level protection obligations. In addition, pursuant to the Data Security Law, the State shall establish a data security system to administer data at different levels and by different categories, and impose specific compliance obligations on processors of important data, including: (1) specifying the person and institution responsible for data security and implementing data security protection responsibilities; (2) conducting regular risk assessment of its data processing activities; and (3) fulfilling the regulatory requirements for transmitting important data overseas. Further, remedial measures shall be taken immediately upon discovery

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of any data security defects or bugs, and users shall be timely notified and competent authorities shall be informed in accordance with relevant provisions if any data security incident occurs. If an enterprise conducting data processing activities fails to meet such requirements, it would be subject to regulatory penalties, including fine, suspension of the relevant business, close of business for rectification and revocation of the relevant business permit or business license.

On October 29, 2021, the CAC published Measures on Security Assessments for the Cross-border Transfer of Data (Draft for Comments) (《數據出境安全評估辦法(徵求意見稿)》) (the “**Consultation Draft**”) which is applicable to cross-border transfers of personal information and important data collected and generated in China under certain circumstances. Apart from that, the Consultation Draft provides detailed requirements for contracts concluded between data processors and overseas recipients, including but not limited to the purpose of cross-border data transfer, the overseas storage site, the restrictions concerning the transfer of cross-border data from overseas recipients to other organizations and individuals, the security measures to be taken by the overseas recipients when there is a material change in the actual control or scope of business, liability for breach of data security obligations and binding and enforceable dispute resolution provisions and the proper emergency disposal to be taken in the event of risks such as data breaches. The Consultation Draft has not come into effect.

On November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”). The Draft Cyber Data Security Regulation differentiates “listing in Hong Kong” from “listing in a foreign country”. The Draft Cyber Data Security Regulation has not been officially enacted as of the date of this prospectus. According to the Draft Cyber Data Security Regulation, data processors shall apply for a cybersecurity review when carrying out the following activities: (1) the merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affect or may affect national security; (2) data processors that handle personal information of more than one million people contemplating to list their securities “in a foreign country”; (3) data processors contemplating to list its securities on a stock exchange in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security. According to the PRC National Security Law (中華人民共和國國家安全法), “national security” refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state are relatively not in danger and not threatened internally or externally and the ability to maintain a sustained security status. However, the criteria for determining the circumstances that “affect or may affect national security” for the purpose of the Draft Cyber Data Security Regulation remain unclear and are subject to further clarification by the CAC.

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The Applicability of the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation

According to the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation, circumstances that require the application for a cybersecurity review can be divided into two categories: (i) Network Platform Operators or data processors holding personal information of more than one million users who seek listing in a foreign country (“**Category I**”); (ii) a number of other specified circumstances, to the extent that they affect or may affect national security (“**Category II**”), including: (a) purchases of network products and services by CIIOs, (b) data processing activities conducted by Network Platform Operators, (c) contemplated listing of securities on a stock exchange in Hong Kong by data processors, (d) merger, reorganization or division of internet platform operators that have acquired a large number of data resources relating to national security, economic development and public interests, and (e) other data processing activities. We are of the view, as advised by our PRC Legal Advisor, that, as of the Latest Practicable Date, the risk of us falling into any of the circumstances outlined above, and therefore being required to proactively apply for a cybersecurity review is relatively low, for the following reasons:

- (i) according to the Article 7 of the Cybersecurity Review Measures, Network Platform Operators that hold personal information of more than one million users that seek listing in “a foreign country” are obliged to apply for a cybersecurity review. Given that (i) the Cybersecurity Review Measures, the Draft Cyber Data Security Regulation and the other relevant PRC laws and regulations currently have not provided any specific definition or standard of the “network platform operator”; and (ii) a listing in Hong Kong sought by a “network platform operator” which holds over one million users’ personal information will not be deemed as “listing in a foreign country”, as advised by our PRC Legal Advisor, although there is possibility that we could be classified as a “network platform operator” which holds over one million users’ personal information, our proposed listing in Hong Kong will not be subject to the voluntary application for cybersecurity review under the Cybersecurity Review Measures;
- (ii) as of the Latest Practicable Date, we had not received any investigation, notice, warning or sanction from the CAC or any other PRC governmental authority with respect to national security issues or any other issues relating to cybersecurity review arising from the operation of our business and the Global Offering;
- (iii) pursuant to the CII Protection Regulations, CIIOs refer to the operators of important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizens’ livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Authorities

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responsible for the security protection of CIIs (the “CII Protection Authorities”) shall establish the rules for the identification of CIIOs based on the particular circumstances of the industry and identify CIIOs in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results. As of the Latest Practicable Date, we have not received any notification from any CII Protection Authorities about being identified as a CIIO;

- (iv) as of the Latest Practicable Date, we are not involved in any merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development and public interests.

The impact that the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation may have on us

As advised by our PRC Legal Advisor, we are of the view that we will be able to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation (if adopted in its current form) in all material aspects, and these regulations would not have material adverse impact on our business and the Global Offering, for the following reasons:

- (i) as stated above, we believe that, as of the Latest Practicable Date, we had not been required to proactively apply for a cybersecurity review and we had not received any investigation, notice, warning or sanction from the CAC or any other PRC governmental authority with respect to national security issues or any other issues relating to cybersecurity review;
- (ii) as of the Latest Practicable Date, we had implemented internal rules and procedures as appropriate and necessary on cybersecurity, data security and personal information protection, to ensure we will be able to comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation (if adopted in its current form) in all material aspects;
- (iii) as of the Latest Practicable Date, we had not experienced any leakage or loss of material data or personal information, or other events that violate applicable laws and regulations on cybersecurity and data protection and have a material adverse impact on our business operation;
- (iv) as of the Latest Practicable Date, we had not been subject to any material fines, penalties or other regulatory sanctions imposed by competent regulatory authorities, or involved in any judicial litigation or arbitration (whether closed or ongoing), based on our actual or alleged violation of applicable laws and regulations on cybersecurity and data protection;
- (v) as the criteria for determining the circumstances that “affect or may affect national security” remain unclear, we have been closely monitoring legislations and regulatory developments and have prudently assessed all circumstances surrounding

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such determination. We believe that the risk of being identified as “affecting or may affect national security” is relatively low, mainly because: (a) we have not involved or been informed to involve in a cybersecurity review proactively initiated by competent authorities alleging us affect or may affect national security; (b) we have obtained various certifications relating to information security and privacy compliance to ensure the security of information and network related to our business; (c) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to material regulatory sanction or dispute relating to national security; (d) we were not aware of any determination by any governmental authority that the Global Offering would constitute a threat to, or endanger, national security; and

- (vi) we have been and will continue monitoring legislations and regulatory developments in cybersecurity, data security and personal information protection and ensure our compliance with the latest regulatory requirements with the assistance of our legal counsel.

Privacy Protection

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of such rights. In recent years, PRC government authorities have enacted legislation on Internet use to protect personal information from any unauthorized disclosure. On May 28, 2020, the National People’s Congress of the PRC approved Civil Code of the PRC (《中華人民共和國民法典》), which took effect on January 1, 2021. Pursuant to Civil Code of the PRC, the personal information of a natural person shall be protected by the laws. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others. The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), which was issued by the State Council on September 25, 2000, and revised on January 8, 2011, prohibit ICP service operators from insulting or slandering a third-party or infringing the lawful rights and interests of a third-party.

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which became effective on March 15, 2012. On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. The Provisions on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) promulgated by the MIIT on July 16, 2013 contains detailed requirements on the use and collection of personal information as well as the security measures to be taken by internet service providers. Specifically, (1) the users’ personal information shall not be collected without prior consent; (2) the personal information shall not

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be collected other than those necessary for internet service providers to provide services; (3) the personal information shall be kept strictly confidential; and (4) a series of detailed measures shall be taken to prevent any divulge, damage, tamper or loss of personal information of users.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the “**Provisions**”) was jointly promulgated by the MIIT, the CAC and the MPS on July 12, 2021 and took effect on September 1, 2021. Network product providers, network operators as well as organisations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant information of security vulnerability of network products with the MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to administrative penalty as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

Pursuant to the Notice of the Supreme People’s Court, the Supreme People’s Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》), issued in April 23, 2013, and the Interpretation of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was issued on May 8, 2017 and took effect on June 1, 2017, the following activities may constitute the crime of infringing upon a citizen’s personal information: (1) providing a citizen’s personal information to specified persons or releasing a citizen’s personal information online or through other methods in violation of relevant national provisions; (2) providing legitimately collected information relating to a citizen to others without such citizen’s consent (unless the information is processed, not traceable to a specific person and not recoverable); (3) collecting a citizen’s personal information in violation of applicable rules and regulations when performing a duty or providing services; or (4) collecting a citizen’s personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations. Pursuant Civil Code of the PRC, the collection, storage, use, process, transmission, provision and disclosure of personal information shall follow the principles of legitimacy, properness and necessity.

The Cybersecurity Law provides that network operators shall obtain the individual’s prior consent before collecting the personal information of such individual and take necessary technical measures or other appropriate measures to protect the personal information, and shall not provide the personal information to any third-party without the individual’s prior consent

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unless such personal information has been processed in a proper way that a specific person will not be identified. For the operators of crucial information infrastructure, the personal information and crucial data must be stored within the territory of the People's Republic of China. Where such data need to be provided to overseas parties due to business requirements, a security assessment shall be conducted before the transmission of the data.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”), which took effect on November 1, 2021. The law aims to protect the rights and interests of personal information and regulate the processing of personal information. The Personal Information Protection Law stipulates certain important concepts with respect to personal information processing: (1) “personal information” refers to all kinds of information related to identified or identifiable natural persons recorded by electronic or other means, excluding the information processed anonymously; (2) “processing of personal information” includes the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information; and (3) “personal information processor” refers to an organization or individual that independently determines the purpose and method of the processing in the processing of personal information.

The Personal Information Protection Law also stipulates the obligations in the circumstance of entrusted processing. Where a personal information processor entrusts others with the processing of personal information, 1) the personal information processor shall agree with the agent on substantial matters like purpose, term, method of entrusted processing, type of information and protection measures, as well as supervise the processing activities of the agent; 2) the agent shall process personal information strictly within the scope as agreed, and ensure the security of the personal information processed and assist the personal information processor to perform his legal obligations.

On August 22, 2019, the CAC issued the Regulation on Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), effective on October 1, 2019. Network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

On November 28, 2019, the Secretary Bureau of the CAC, the General Office of the MIIT, the General Office of the Ministry of Public Security and the General Office of the SAMR promulgated the Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《APP違法違規收集使用個人信息行為認定方法》), and took effect on November 28, 2019, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance. The Method for Identifying the Illegal Collection and Use of Personal Information by Apps lists six types of illegal collection and usage of personal information, including

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“failure to publish rules on the collection and usage of personal information”, “failure to expressly state the purpose, manner and scope of the collection and usage of personal information”, “collecting and using personal information without obtaining consents from users”, “collecting personal information irrelevant to the services provided”, “providing personal information to other parties without obtaining consent” and “failure to provide the function of deleting or correcting personal information as required by law or failure to publish the methods for complaints and reports or other information”.

EU and the U.S.

The following is a summary of selected data security and privacy laws of the EU and the U.S. We believe these laws and regulations are relevant to our business operations because certain of our data centers, as well as many of the brands we serve, are located in the EU or the U.S. We believe many of these laws and regulations, such as the General Data Protection Regulation (EU) 2016/679 (“**GDPR**”), represent leading standards of data security and privacy in the world and we have adopted internal controls, policies and procedures that we believe are consistent with the applicable standards under such laws and regulations. We have also completed information security, privacy and compliance certifications and validations from top privacy compliance and cyber security firms, such as TrustArc. For more information, see “Business – Data Security and Privacy.”

The GDPR, which applies to the collection, use, storage, retention, transfer, disclosure and other processing of personal data obtained from individuals located in the EU or by businesses operating within the EU, became effective on May 25, 2018 and has resulted, and will continue to result, in significantly greater compliance burdens and costs for companies with customers, end users, or operations in the EU. The GDPR places stringent obligations and operational requirements on us as both a processor and controller of personal data and could make it more difficult or more costly for us to use and share personal data. For example, requirements placed on data controllers include, among other things, transparent and expanded disclosure to data subjects about how their personal data is to be used, limitations on retention of information, mandatory data breach notification requirements, record keeping and documentation requirements, and higher standards for data controllers to demonstrate that they have obtained valid consent for certain data processing activities. Under the GDPR, data protection supervisory authorities are given various enforcement powers, including levying fines of up to 20 million Euros or up to 4% of an organization’s annual worldwide turnover, whichever is greater, for the preceding financial year, for non-compliance. Data subjects also have the right to be compensated for damages suffered as a result of a controller or processor’s non-compliance with the GDPR. While the GDPR provides a more harmonized approach to data protection regulation across the EU member states, it also gives EU member states certain areas of discretion and therefore laws and regulations in relation to certain data processing activities may differ on a member state by member state basis, which could further limit our ability to use and share personal data and could require localized changes to our operating model. In addition to the GDPR, the EU also has released a proposed Regulation on Privacy and Electronic Communications, or the ePrivacy Regulation, to replace the EU’s current Privacy and Electronic Communications Directive, or the ePrivacy Directive, to, among other

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things, better align EU member states and the rules governing online tracking technologies and electronic communications, such as unsolicited marketing and cookies, with the requirements of the GDPR. While the ePrivacy Regulation was originally intended to be adopted on May 25, 2018 (alongside the GDPR), it is currently going through the European legislative process, and commentators now expect it to be adopted between 2022 and 2023.

Under the GDPR, restrictions are placed on transfers of personal data outside of the European Economic Area to countries which have not been deemed “adequate” by the European Commission (including the United States and the PRC). The Court of Justice of the European Union (“**CJEU**”) issued a decision on July 16, 2020, invalidating the EU-US Privacy Shield Framework, which provided one mechanism for lawful cross-border transfers of personal data between the EU and the U.S. While the decision did not invalidate the use of the European Commission’s approved standard contractual clauses, another mechanism for making lawful cross-border transfers, the decision has called the validity of standard contractual clauses into question under certain circumstances, and has made the legality of transferring personal data from the EU to the U.S. or various other jurisdictions outside of the EU more uncertain. Specifically, the CJEU stated that companies must now assess the validity of standard contractual clauses on a case by case basis, taking into consideration whether the standard contractual clauses provide sufficient protection in light of any access by the public authorities of the third country to where the personal data is transferred, and the relevant aspects of the legal system of such third country. While the European Commission recently published new standard contractual clauses for transferring personal data from the EU to third countries, and the European Data Protection Board issued certain recommendations relating to measures that supplement transfer tools to ensure compliance with the EU level of protection of personal data, the CJEU’s decision has increased uncertainty surrounding data transfers from the EU to third countries that may not offer the same level of protection for data subjects’ rights as the EU. Due to these recent regulatory changes and guidance, we may need to invest in additional technical, legal and organization safeguards in the future to avoid disruptions to data flows within our business and to and from our customers and service providers. Furthermore, this uncertainty, and its eventual resolution, may increase our costs of compliance, impede our ability to transfer data and conduct our business, and harm our business or results of operations.

In the United States, various federal regulators, including governmental agencies like the Federal Trade Commission, and states and state regulators, including in California, Colorado, Virginia and Illinois, have adopted, or are considering adopting, laws and regulations concerning personal data and data security, such as the California Consumer Privacy Act of 2018 (“**CCPA**”), the Colorado Privacy Act, the Virginia Consumer Data Protection Act, the California Internet of Things Security Law and the Illinois Biometric Information Privacy Act. This patchwork of legislation and regulation may give rise to conflicts or differing views of personal privacy rights. For example, certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal data than federal, international or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. One such comprehensive privacy law in the United States is the CCPA, which came into effect on January 1, 2020. Among other things, the CCPA requires companies

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that process personal information of California residents to make new detailed disclosures to consumers about such companies' data collection, use and sharing practices, and gives California residents expanded rights to access and delete their personal information and to opt out of certain personal information sharing with (and sales of personal information to) third parties. The CCPA also provides for civil penalties for violations, as well as a private right of action for certain data breaches that result in the loss of personal data. This private right of action is expected to increase the likelihood of, and risks associated with, data breach litigation. The CCPA was amended in September 2018, November 2019 and September 2020, and it is possible that further amendments will be enacted, but even in its current form it remains unclear how various provisions of the CCPA will be interpreted and enforced. Additionally, a new privacy law, the California Privacy Rights Act ("CPRA"), was approved by California voters in the election of November 3, 2020. The CPRA, which will take effect in most material respects on January 1, 2023, modifies the CCPA significantly, including by expanding consumers' rights with respect to certain sensitive personal information, further restricting the use of cross-context behavioral advertising, establishing restrictions on the retention of personal information, expanding the types of data breaches subject to the CCPA's private right of action, providing for increased penalties for CPRA violations concerning California residents under the age of 16, and creating a new state agency to oversee implementation and enforcement efforts, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Other state laws are changing rapidly and there have been ongoing discussions and proposals in the U.S. Congress with respect to new federal data privacy and security laws to which we would become subject if enacted. Further, laws in all 50 U.S. states require businesses to provide notice under certain circumstances to customers whose personal data has been disclosed as a result of a data breach.

REGISTRATION FOR IMPORT AND EXPORT GOODS

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017 and April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Pursuant to the Administrative Provisions of the Customs of the People's Republic of China on the Record Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 19, 2021, Where the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for recordation, it shall obtain the qualification of market entities; particularly where the consignee or consignor of imported or exported goods applies for recordation, it shall be filed as a foreign trade business. Where the consignee or consignor of imported or exported goods or a customs declaration enterprise has undergone the formalities of recordation for customs declaration entities, branches that meet the requirements of the preceding paragraph may also apply for recordation for customs declaration entities.

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In addition, the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and last amended on November 7, 2016, and the Measures for the Record Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which was promulgated by the MOFCOM on June 25, 2004 and last amended on May 10, 2021, require any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby, unless it is otherwise provided for by any law, administrative regulation or the foreign trade department of the State Council. The specific measures for archival registration shall be formulated by the foreign trade department of the State Council. Where any foreign trade business operator that fails to file for record and registration according to relevant provisions, the customs may not handle the procedures of customs declarations and release of the import or export goods.

REGULATIONS RELATING TO PRODUCT QUALITY

Products made in mainland China are subject to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which was promulgated on February 22, 1993, last amended on December 29, 2018. According to the Product Quality Law, a manufacturer of a product is responsible to compensate for the damages to any person or property caused by the defect of such a product, unless the manufacturer is able to prove that: (1) it has not circulated the product; (2) the defect did not exist at the time when the product was circulated; or (3) scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

The Consumer Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the “**Consumers Protection Law**”) was promulgated on October 31, 1993 and became effective on January 1, 1994. The Consumers Protection Law has been further revised on August 27, 2009 and October 25, 2013. According to the Consumers Protection Law, unless otherwise provided by this law, an operator that provides products or services may bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations.

According to the Administrative Regulations for Compulsory Product Certification (《強制性產品認證管理規定》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (which has merged into the SAMR) on July 3, 2009, products specified by the state shall not be delivered, sold, imported or used in other business activities until they are certified (the “**Compulsory Product Certification**”) and labeled with China Compulsory Certification mark. For products that are subject to Compulsory Product Certification, the state implements unified product catalogs (the “**3C Catalog**”), unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards.

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REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Regulation on Patents

The SCNPC adopted the Patent Law of the PRC (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds methods of nuclear transformation or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model and a fifteen-year term for a design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Regulation on Copyright

In accordance with the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and last amended on November 11, 2020, and took effect on June 1, 2021. Chinese citizens, legal persons or other entities own the copyright in their works whether published or not, including written works; oral works; music, comedy arts of talking and singing, dance and acrobatics; work of art and architecture work; photographic works; cinematographic work and work created by the method similar to the film production method; engineering design drawing, product design drawing, map, sketch and other graphic works and model works; computer software and other works specified by laws and administrative regulations. The rights a copyright owner has include but not limited to the following rights of the person and property rights: the right of publication, right of authorship, right of modification, right of integrity, right of reproduction, distribution right, rental right, right of network communication, translation right and right of compilation.

In accordance with the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and last amended on January 30, 2013, Chinese citizens, legal persons or other entities own the copyright, including the right of publication, right of authorship, right of modification, right of reproduction, distribution right, rental right, right of network communication, translation right and other right software copyright owners shall have in software developed by them, regard less of whether it has been published. In accordance with the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002, software copyrights, exclusive licensing contracts for software copyrights and software copyright transfer contracts shall be registered, and the National Copyright Administration shall be the competent authority for the administration of

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software copyright registration and designates the Copyright Protection Center of China as a software registration authority. The Copyright Protection Center of China shall grant a registration certificate to a computer software copyright applicant who complies with regulations.

Regulation on Trademark

Trademarks are protected by the Trademark Law of the PRC (Revised in 2019) (《中華人民共和國商標法》) (the “**Trademark Law**”) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and come into effect on November 1, 2019, respectively as well as the Implementation Regulation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 (Revised in 2014). In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office of China National Intellectual Property Administration handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within six months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. The Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. Trademarks are granted for a term of ten years. 12 months prior to the expiration of the ten-year term, the trademark registrant shall apply for the renewal of registration; if the trademark registrant does not make the renewal during the foregoing period, another six months extension can be granted.

Regulation on Domain Name

In accordance with the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the MIIT on August 24, 2017 and took effect on November 1, 2017, whoever engages in Internet domain name services and its operation and maintenance, supervision and administration and other related activities within the territory of the People’s Republic of China shall abide by these Measures.

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In accordance with the Notice of the MIIT on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) which was promulgated by the MIIT of the PRC on November 27, 2017 and took effect on January 1, 2018, Internet access service providers shall verify the identity of each Internet information service provider, and shall not provide services to any Internet information service provider who fails to provide real identity information.

REGULATION RELATING TO EMPLOYMENT AND SOCIAL WELFARE

Regulation on Labor

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), issued on June 29, 2007, amended on December 28, 2012 and newly effective on July 1, 2013, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and last amended and newly effective on December 29, 2018, enterprises and institutions shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards.

Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

Regulation on Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》) implemented on January 1, 2004, amended on December 20, 2010 and effective on January 1, 2011, the Provisional Measures for Maternity Insurance of Employees of Corporation (《企業職工生育保險試行辦法》) implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, The Unemployment Insurance Measures (《失業保險條例》) promulgated on January 22, 1999, the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) implemented on July 1, 2011 and amended on December 29, 2018 and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated on January 22, 1999 and amended on March 24, 2019, enterprises are obliged to provide their

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employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATION RELATING TO TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) and its relevant implementation regulations, taxpayers consist of resident enterprises and non-resident enterprises.

Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform enterprise income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

According to the EIT Law and relevant implementation regulations, the EIT tax rate of a high and new technology enterprise is 15%. Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises (《高新技術企業認定管理辦法》), effected on January 1, 2008 and amended on January 29, 2016, the certificate of a high and new technology enterprise is valid for three years. An enterprise shall, after being accredited as a high-tech enterprise, fill out and submit the statements on annual conditions concerning the intellectual property rights, scientific and technical personnel, expenses on research and development and operating income for the previous year on the “website for the administration of accreditation of high-tech enterprises”.

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The Notice on Taxation Policies for Further Encouraging the Development of the Software and Integrated Circuit Industries (《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》), which was promulgated by the Ministry of Finance (the “MOF”) and the State Administration of Taxation (the “SAT”) on April 20, 2012 and effected on January 1, 2011 and the Notice on Issues Relating to the Preferential Policies for Enterprise Income Tax in Software and Integrated Circuits Industry (《關於軟件和集成電路產業企業所得稅優惠政策有關問題的通知》) promulgated by MOF, the SAT, the NDRC and the MIIT on May 4, 2016, provide that, upon certification, newly established integrated circuit design enterprises and eligible software enterprises shall be exempt from the enterprise income tax for the first two years of the preferential period, and shall be levied thereon at half of the statutory rate of 25% for the next three years until the expiration of the preferential period. The preferential period starts from the first profitable year before December 31, 2017.

Value-Added Tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009 and amended on February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) was promulgated by the MOF on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011 (collectively, the “VAT Law”). On November 19, 2017, the State Council promulgated the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》), (the “Order 691”). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the MOF and the SAT on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), promulgated on April 4, 2018 and effective as of May 1, 2018. The Notice adjusted the VAT tax rates of 17% and 11% to 16% and 10%, respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), with effect from April 1, 2019, the VAT tax rates of 16% and 10% are changed into 13% and 9%, respectively.

Dividend Withholding Tax

Furthermore, pursuant to the Notice of the SAT on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and effective on February 20, 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate

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specified in the tax agreement for the dividends paid to it by a PRC resident company: (1) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (2) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (3) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the acquisition of the dividends, reaches a percentage specified in the tax agreement.

In addition, according to the Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》), promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020, where a non-resident enterprise that receives dividends from a PRC resident enterprise wishes to enjoy the favorable tax benefits under the convention treatment, it may be entitled to the convention treatment itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

REGULATION RELATING TO FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), as amended in August 5, 2008, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of State Administration of Foreign Exchange (the "SAFE") is obtained and prior registration with SAFE is made. On May 10, 2013, SAFE promulgated the Notice of the SAFE on Issuing the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) (the "SAFE Circular No. 21"), which was amended on October 10, 2018 and December 30, 2019. It provided for and simplified the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "SAFE Circular No. 59") promulgated by SAFE on November 19, 2012, that became effective on December 17, 2012 and was further amended on May 4, 2015, October 10, 2018 and December 30, 2019, approval is not required for the opening of an account entry in foreign exchange accounts under direct investment. SAFE Notice No. 59 also simplified the capital verification and confirmation formalities for foreign invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign invested entities.

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Pursuant to the Notice of the SAFE on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”), promulgated by SAFE and which became effective on July 4, 2014, (1) a PRC resident (“**PRC Resident**”) shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC Resident shareholder(s), name of the Overseas SPV, term of operation, or any increase or reduction of the Overseas SPV’s registered capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No.37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), which was promulgated on February 13, 2015 became effective on June 1, 2015 and was further amended on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

REGULATION RELATING TO DIVIDEND DISTRIBUTION

The principal laws, rule and regulations governing dividends distribution by companies in the PRC are the Company Law, which applies to both PRC domestic companies and foreign-invested companies, and the Foreign Investment Law and its implementing rules, which apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO EMPLOYEE EQUITY INCENTIVE PLAN

Pursuant to SAFE Circular 37, PRC residents who participate in equity incentive plan in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas 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》) (the

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“SAFE Circular 7”) which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management participating in any equity incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency as regulated in SAFE Circular 7.

In addition, the SAT has issued certain circulars concerning employee stock options and restricted shares, including the Circular on Issues Concerning the Individual Income Tax on Share-option Incentives (《關於股權激勵有關個人所得稅問題的通知》) (the “Circular 461”) which was promulgated and took effect on August 24, 2009, and the Notice on Measures Enhancing the Reform in Taxation and Stimulating the Vitality of Market Players (《國家稅務總局關於進一步深化稅務領域“放管服”改革培育和激發市場主體活力若干措施的通知》) which was promulgated and took effect on October 12, 2021. Under Circular 461 and other relevant laws and regulations, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock option or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiary may face sanctions imposed by the tax authorities or other PRC government authorities.

REGULATION RELATING TO M&A AND OVERSEAS LISTING

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”), was promulgated by six PRC ministries including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAMR, the CSRC, and the SAFE on August 8, 2006, became effective on September 8, 2006, and was amended and became effective on June 22, 2009. The M&A Rules stipulate that a foreign investor is required to obtain necessary approvals when it: (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes for the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of any domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further prescribed that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, shall be approved by the MOFCOM prior to its establishment and obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

Pursuant to the Notice of the Foreign Investment Administration of the MOFCOM on Distributing the Manual of Guidance on Administration for Foreign Investment Access (商務部外資司關於下發《外商投資准入管理指引手冊》的通知), which was issued and became effective on December 18, 2008 by the MOFCOM, notwithstanding the fact that (1) the domestic shareholder is connected with the foreign investor or not; or (2) the foreign investor

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is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

On December 24, 2021, the CSRC published the draft Regulations of the State Council on the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) (the “**Administrative Provisions**”) and the draft Measures for the Record-Filing of Overseas Issuance and Listing of Securities by Domestic companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Filing Measures**”) for public comments. Pursuant to these drafts, PRC domestic companies that seek to directly or indirectly issue or list their securities overseas shall file with CSRC certain required documents, and “PRC domestic companies” are defined to include both (i) PRC companies limited by shares, which seek direct issuance of shares and listing overseas, and (ii) offshore-incorporated companies whose main business operations are in China that seek indirect issuance of shares and listing overseas based on their onshore equity, assets or similar interests. More specifically, a “PRC domestic company” that seeks an initial public offering overseas, or a “PRC domestic company” already listed overseas who seeks to list its securities in another overseas market, shall file the required documents with CSRC within three (3) business days after submitting the application documents for the foregoing transactions. The “PRC domestic company” may apply for the postponement of the disclosure of the filing result if the aforesaid application documents are submitted on a confidential or non-public basis. According to the Article 7 of the Administrative Provisions, the “PRC domestic company” are prohibited from seeking to directly or indirectly issue or list their securities overseas under the circumstances as follows: (i) there are circumstances where financing by listing is expressly prohibited by the laws and regulations of the State and the relevant provisions; (ii) the overseas issuance and listing threatens or endangers the national security as determined by the relevant competent department of the State Council in accordance with the law; (iii) there is any material ownership dispute in respect of equity, major assets, core technology, etc.; (iv) the domestic enterprise and its controlling shareholder or actual controller have committed a criminal offence of corruption, bribery, embezzlement of property, misappropriation of property or disruption of the order of the socialist market economy, or are under investigation by the judicial organ for suspected criminal offence or suspected major violation of law or regulation in the past three years; (v) the directors, supervisors and senior management personnel have been subject to administrative punishment in the past three years and the circumstance is serious, or are under investigation by the judicial organ for suspected criminal offence or suspected major violation of law or regulation in the past three years; and (vi) other circumstances determined by the State Council. As of the date of this prospectus, it remains uncertain when the final Administrative Provisions and Filing Measures will be adopted. Uncertainties exist regarding the final form of these regulations as well as the interpretation and implementation thereof after promulgation. If those two rules were adopted in the current form, we may be required to file documents regarding of this Global Offering with the CSRC, which could take up to 20 business days for the CSRC to review and approve after submitting all required documents.

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On December 24, 2021, a spokesperson of the CSRC at a press conference in relation to the Administrative Provisions and the Filing Measures clarified that, among others: (i) the implementation of the Administrative Provisions and the Filing Measures aim to improve the supervisory and regulatory institution for overseas listing of enterprises and support enterprises to use overseas capital markets for financing and development in accordance with laws and regulations, not to tighten the regulatory policies for overseas listing, (ii) the Administrative Provisions and the Filing Measures will follow the legal principle of non-retroactivity and the CSRC would initiate the filing requirements and procedures with the new applicants (“New Applicants”), i.e. the new overseas initial public offering applicants, and the stock enterprises (“Stock Enterprises”), i.e. the existing overseas-listed companies that had subsequent financing activities, while the remaining Stock Enterprises will be separately granted a sufficient transitional period, (iii) prior to filing with CSRC, the enterprises shall obtain the regulatory opinion or filing or approval documents from the administrative authorities of the specific industries only if these authorities explicitly set the relevant requirements regarding listing overseas in the regulations, and (iv) on the premise of complying with the PRC laws and regulations, enterprises adopting a VIE structure that meet compliance requirements could pursue overseas listing after filing with the CSRC.

Our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors conducted verbal consultations with the officers of Zhejiang Communications Administration on December 10, 2021 and December 17, 2021. Our PRC Legal Advisor also conducted a phone consultation with the officer of Zhejiang Communications Administration on March 1, 2022. The officers consulted above confirmed that entering into the Contractual Arrangements would not constitute non-compliance with the relevant laws, rules or regulations and no prior approval from Zhejiang Communications Administration is required for entering into and performing the Contractual Arrangements or listing overseas under a VIE structure. Our PRC Legal Advisor is of the view that Zhejiang Communications Administration is the competent authority and the officers interviewed are competent persons to give the above confirmations.

Assuming that the Administrative Provisions and the Filing Measures subsequently come into effect in accordance with the current draft version, as advised by our PRC Legal Advisor, we do not foresee any material impediment to the compliance with the Administrative Provisions and the Filing Measures in all material aspects as of the Latest Practicable Date for the following reasons: (i) we do not fall within any of the circumstances specified in Article 7 of the Administrative Provisions in which overseas issuance and listing are prohibited, (ii) the Contractual Arrangements that we adopt do not contravene the Administrative Provisions and the Filing Measures in any material aspects, and (iii) there have not been any material non-compliance incidents occurring on us discovered in relation to our business operation, foreign investment, industry regulation, and data security in all material aspects under the PRC laws.

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, given that the Administrative Provisions and the Filing Measures are still in their draft forms and have not come into effect, we are not required to perform the relevant filing or information reporting procedures for the Global Offering under the Administrative Provisions and the Filing

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Measures. We confirm that we have not received any enquiries, comments, instructions, guidance or other concerns from any PRC authorities (including CSRC) with respect to the Global Offering or the Contractual Arrangements. We have taken comprehensive measures to ensure our compliance with the relevant laws and regulations and expect to continue to pay close attention to the legislative and regulatory developments in respect of overseas listing of domestic enterprises, and we will perform the filing procedures or information reporting procedures in accordance with the requirements of the Administrative Provisions and the Filing Measures where applicable to us upon their coming into force.

Based on the above, the Directors are of the view that there has been and will be no material adverse actual or potential impact of the Administrative Provisions and the Filing Measures on the Global Offering and business under the Contractual Arrangements as of the Latest Practicable Date. Our PRC Legal Advisor concurs with this view.

Based on the above and the due diligence conducted by the Joint Sponsors detailed below, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Company's and its PRC Legal Advisor's views above. The due diligence works conducted by the Joint Sponsors include but not limited to (i) reviewing, with the support of the PRC legal advisor of the Joint Sponsors, the memorandum on the Contractual Arrangements and follow-up legal works (including the questionnaire for interview with the Zhejiang Communications Administration) prepared by our PRC Legal Advisor, the underlying contracts and license for the Contractual Arrangements, the legal analysis and opinion of our PRC Legal Advisor and the disclosure in the section headed "Contractual Arrangements" in this Prospectus; (ii) reviewing the interview notes with Zhejiang Communications Administration to ensure it is consistent with the Company's understanding; (iii) discussing with the PRC legal advisor of the Joint Sponsors who reviewed the Contractual Arrangements of the Company and the underlying contracts and supporting documents and concurs with the views and analysis of our PRC Legal Advisor as disclosed above; (iv) discussing with our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors on, among other things, the basis of their views and the potential impact and latest status of the recent regulatory developments on the Contractual Arrangements; and (v) discussing with the Company's management in relation to the communication with Zhejiang Communications Administration and the potential impact of the recent regulatory developments on the Global Offering and business operations under the Contractual Arrangements.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We established the world's first IoT cloud development platform, according to CIC. Through our IoT cloud development platform, we deliver a variety of offerings. Our IoT PaaS where we enable brands, OEMs, and developers to develop, launch, manage and monetize smart devices and services. Our Industry SaaS offering enables businesses to deploy, connect, and manage large numbers and different types of smart devices.

Our history can be traced back to 2014 with the establishment of various companies in the Group including our Company and Tuya Information. We have been managed by our founders, Mr. Wang, Mr. Chen, and our co-founders, Mr. Zhou and Mr. Yang, who have strong expertise in IoT cloud based platform and technology. For the biographies and industry experience of our founders and co-founders, please refer to the section headed "Directors and Senior Management" in this prospectus.

OUR BUSINESS DEVELOPMENT MILESTONES

The following table sets forth the key business development milestones of our Group:

Year	Event
2014	We commenced business operation upon establishment of Tuya Information in the PRC Our Company was incorporated in the Cayman Islands
2015	Our first subsidiary in the U.S., Tuya Global, was incorporated
2016	We released IoT cloud platform which was designed to enable development of IoT application interface in 1 minute, OEM application in 10 minutes and smart devices for mass production for 15 days
2017	We achieved more than 1 million peak monthly deployments of IoT PaaS
2018	We achieved more than 4 million peak monthly deployments of IoT PaaS We released self-service portal for IoT PaaS We won 2018 IFA Product Technical Innovation Award for Smart Interconnected Platform Innovation

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2019	<p>We achieved more than 10 million peak monthly deployments of IoT PaaS</p> <p>We established our presence through subsidiaries in Japan, India, Germany and Colombia</p> <p>We won CES “AI IoT Technology Innovative Platform” Award</p> <p>We were named as one of the “Top 25 IoT Startups to Watch in 2019” and “Top 100 AIoT Enterprises in China” by Forbes</p> <p>We won AWE “Smart Innovation Award”</p>
2020	<p>We achieved more than 1 million peak daily deployments of IoT PaaS</p> <p>We released the latest IoT cloud development platform hosting over 262,000 IoT device and software registered developers developing IoT devices in over 252,000 SKUs</p> <p>We launched our industry SaaS business driven by strong demand from business operators for sophisticated, brand-agnostic Industry SaaS offerings</p>
2021	<p>We listed our ADSs on the NYSE under the symbol “TUYA”</p> <p>We partnered with Gartner, the world’s renowned research and advisory company, and media platforms Global Intelligent Business and IoT Business Vintage to jointly publish the white paper titled “2021: The 60 Smartest Companies Thriving Post-Pandemic” on October 21, 2021</p> <p>We launched Tuya Cube, as our IaaS agnostic private cloud solutions for both IoT PaaS and SaaS deployment</p> <p>We won Caijing Magazine’s “Evergreen Award: Most Valued IPO Tech Company”</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES⁽¹⁾

The principal business activities, date of establishment and date of commencement of business of the members of our Group that made a material contribution to our results of operation⁽¹⁾ during the Track Record Period are shown below:

Name	Place of incorporation	Date of incorporation and commencement of business	Principal business activities
Tuya (HK)	Hong Kong	September 12, 2014	Investment holding and business development
Tuya Information	PRC	December 5, 2014	Conducting IoT PaaS, smart devices distribution, and SaaS and others business, and research and development activities
Zhejiang Tuya	PRC	May 9, 2020	Conducting smart devices distribution business
Guangdong Tuya	PRC	August 14, 2020	Conducting research and development activities and business development
Tuya Global	U.S.	July 22, 2015	Business development

Note:

- (1) Our major subsidiaries and operating entities are selected with reference to the entities which have contributed to more than 5% of the Group's revenue, profit or assets on a consolidated or stand-alone basis in any financial year during the Track Record Period.
- (2) For details of shareholding of our major subsidiaries and operating entities, please refer to the diagram in the paragraph headed "Our Structure Immediately Prior to the Global Offering" in this section. Since the date of establishment of each of our major subsidiaries and operating entities, there has not been any change in their respective shareholding.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

(1) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on August 28, 2014 as the holding company of our Group. Upon incorporation, our Company had an authorized share capital of US\$50,000 divided into 100,000,000 ordinary shares with a par value of US\$0.0005 each. The shareholding structure of our Company upon incorporation is set forth in the table below:

Shareholders	Number of ordinary shares	Corresponding percentage of shareholding in our Company (%)
Tuya Group Inc.	11,360,000	51.7
Tuya Technology Inc. ⁽¹⁾	8,640,000	39.3
Plus Force Enterprise Ltd. ⁽²⁾	1,758,400	8.0
Xincheng Investment Limited ⁽³⁾	219,800	1.0
Total	21,978,200	100

(2) Investments from Investors prior to the NYSE Listing

Since incorporation of our Company in August 2014, our Company received various rounds of investment from investors. For details, please refer to the paragraph headed “– Our Investors Prior to the NYSE Listing” below in this section.

(3) Share Subdivision

On June 1, 2018, we conducted a share subdivision pursuant to which each ordinary share with a par value of US\$0.0005 each in the Company’s issued and unissued share capital was subdivided into 10 ordinary shares with a par value of US\$0.00005 each, and each preferred share with a par value of US\$0.0005 each in the Company’s issued and unissued share capital is subdivided into 10 preferred shares with a par value of US\$0.00005 each.

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- (1) Tuya Technology Inc. is owned as to 33.33% by Mr. Chen, 25.00% by Mr. Zhou, 29.17% by Mr. Lin Yaona, an employee of our Group, a director of Zhejiang Tuya (our indirect wholly-owned subsidiary) and substantial shareholder of Hangzhou Tuya Technology (our Consolidated Affiliated Entity) and 12.50% by Chen Peihong, an employee of our Group and an Independent Third Party.
- (2) Plus Force Enterprise Ltd. is wholly owned by Mr. Wu Yongming, who was an investor at the time of establishment of our Company and is an Independent Third Party.
- (3) Xincheng Investment Limited is wholly owned by Mr. Li Zhiguo, who was an investor at the time of establishment of our Company and is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(4) Major shareholding changes of our Company during the Track Record Period and up to the Latest Practicable Date

The major shareholding changes of our Company during the Track Record Period and up to the Latest Practicable Date were as set out below:

(a) Issue of Series D preferred shares of our Company to investors

On September 16, 2019, we issued (i) 49,514,236 Series D preferred shares to Tencent Mobility Limited for a consideration of US\$169,918,003.69, (ii) 611,941 Series D preferred shares to New Enterprise Associates 14, L.P. for a consideration of US\$2,099,997.93, and (iii) 845,062 Series D preferred shares to NEA 15 Opportunity Fund, L.P. (together with New Enterprise Associates 14, L.P., “NEA”) for a consideration of US\$2,899,999.27.

On November 1, 2019, we issued 1,457,003 Series D preferred shares to China Broadband Capital Partners IV, L.P. for a consideration of US\$4,999,997.20.

(b) Transfer of ordinary shares of our Company among the intermediary entities controlled by Mr. Wang

On January 8, 2021, Tuya Group Inc. transferred 27,000,000 ordinary shares of our Company to Tenet Global Limited which was then wholly owned by Tuya Group Inc. at nil consideration.

On January 15, 2021, Tenet Global Limited transferred 27,000,000 ordinary shares of our Company to Tenet Group Limited at nil consideration.

(c) Transfer of ordinary shares of our Company by Tuya Technology Inc.

On January 19, 2021, Tuya Technology Inc. transferred 27,357,264, 23,942,736, 20,520,000 and 10,260,000 ordinary shares of our Company to Unileo, Anywink Limited, Valgolden and Volinks Limited at nil consideration, based on the respective beneficial ownership of Mr. Chen, Mr. Lin Yaona, Mr. Zhou and Mr. Chen Peihong in Tuya Technology Inc.

(d) Issue of ordinary shares of our Company to investors prior to our listing on the NYSE

On February 1, 2021, we issued 9,615,769 ordinary shares of our Company to NVMB XIV Holdings Limited for a consideration of US\$119,999,989.24.

On February 2, 2021, we issued 6,410,513 ordinary shares to Tencent Mobility Limited for a consideration of US\$79,999,996.99.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(e) Conversion to Class A Ordinary Shares and Class B Ordinary Shares

Immediately upon the completion of our initial public offering on the NYSE on March 22, 2021 as detailed in the paragraph headed “– Listing on the NYSE” below in this section, all issued and outstanding ordinary shares beneficially owned by Mr. Wang, and Mr. Chen (including 1,442,736 ordinary shares held by Tuya Technology Inc.) at the time were immediately and automatically converted to 142,400,000 Class B Ordinary Shares on a one-for-one basis, while all the other issued and outstanding ordinary shares in our Company (other than those beneficially owned by Mr. Wang and Mr. Chen) and all the issued and outstanding Series A, Series A-1, Series B, Series C and Series D preferred shares were automatically converted into Class A Ordinary Shares on a one-for-one basis.

(f) Share Distribution of Tuya Technology Inc.

To comply with the requirements under Rule 8A.07 of the Listing Rules that a WVR structure must confer on a beneficiary enhanced voting power on resolutions tabled at the issuer’s general meetings only, and Rule 8A.11 of the Listing Rules that any beneficiaries of weighted voting rights must be members of the applicant’s board of directors, on December 16, 2021, Tuya Technology Inc. distributed 1,257,264, 1,080,000 and 540,000 Class A Ordinary Shares in species to Anywink Limited, Valgolden and Volinks Limited, respectively, and 1,442,736 Class B Ordinary Shares to Unileo on pro rata basis based on the respective beneficial ownership of Mr. Lin Yaona, Mr. Zhou, Mr. Chen Peihong and Mr. Chen in Tuya Technology Inc. (the “**Share Distribution**”). Upon completion of the Share Distribution, Tuya Technology Inc. do not hold any shares in the Company.

(g) Transfer of Class B Ordinary Shares and share conversion by Tenet Group

For his estate planning, Mr. Wang conducted share transfers and share conversions through the entities controlled by him as follows.

On December 23, 2021, Tuya Group Inc. transferred 76,600,000 Class B Ordinary Shares to Tenet Vision (the “**First Share Transfer**”) and Tenet Group converted 27,000,000 Class B Ordinary Shares to Class A Ordinary Shares on one-for-one basis (the “**First Share Conversion**”). Upon completion of the First Share Transfer and First Share Conversion, Tenet Group, Tenet Vision, Tuya Group Inc. held 27,000,000 Class A Ordinary Shares, 76,600,000 Class B Ordinary Shares and 10,000,000 Class B Ordinary Shares, respectively.

On December 28, 2021, Tenet Vision transferred 36,000,000 Class B Ordinary Shares to Tenet Group (the “**Second Share Transfer**”) and Tenet Group converted 36,000,000 Class B Ordinary Shares to Class A Ordinary Shares on one-for-one basis (the “**Second Share Conversion**”). Upon completion of the Second Share Transfer and Second Share Conversion, Tenet Vision and Tenet Group held 40,600,000 Class B Ordinary Shares and 63,000,000 Class A Ordinary Shares, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

(5) Contractual Arrangements in respect of Hangzhou Tuya Technology

Tuya Information, a wholly-owned subsidiary of our Company, entered into various agreements that constituted the Contractual Arrangements which amended and restated the previous contractual arrangements, with Hangzhou Tuya Technology and the Registered Shareholders, pursuant to which Tuya Information would exercise effective control over the operations of, and enjoy substantially all the economic benefits of Hangzhou Tuya Technology. Please refer to the sections headed “Contractual Arrangements” and “Connected Transactions” in this prospectus for further details.

LISTING ON THE NYSE

On March 18, 2021, we listed our ADSs on the NYSE under the symbol “TUYA”. Our initial public offering on the NYSE was completed on March 22, 2021. Pursuant to the initial public offering, our Company sold 43,590,000 ADSs, each representing one Class A Ordinary Share at an offering price of US\$21.00 per ADS. Among which, 2,375,000, 2,375,000 and 9,975,000 were subscribed at the initial public offering price and on the same terms as the other ADSs offered at the initial public offering on the NYSE by (i) Image Frame Investment (HK) Limited, a wholly-owned subsidiary of Tencent, (ii) Gaoling Fund L.P. and YHG Investment, L.P. and (iii) Canada Pension Plan Investment Board, one or more funds affiliated with Dragoneer Investment Group, LLC, GIC Private Limited, funds affiliated with Tiger Global Management, LLC, and/or their affiliates.

On April 20, 2021, the underwriters had exercised their over-allotment option to purchase an additional 1,486,479 ADSs, each representing one Class A Ordinary Shares at a price of US\$21.00 per ADS.

We received from our initial public offering gross proceeds of approximately US\$946.6 million and net proceeds, including the underwriters’ over-allotment option after deducting the underwriting discounts and offering expenses, of approximately US\$904.7 million. We intended to utilize the net proceeds from our initial public offering on the NYSE for our research and development, investment in technology infrastructure, marketing and branding and other capital expenditure and general corporate purposes as disclosed in our registration statement on Form F-1 filed with the SEC in connection with our initial public offering on the NYSE.

COMPLIANCE WITH THE RULES OF NYSE

Our Directors confirm that since the date of our listing on the NYSE and up to the Latest Practicable Date, we had no instances of non-compliance with the rules of the NYSE in any material respects and to the best knowledge of our directors having made all reasonable enquiries, there is no matter that should be brought to investors’ attention in relation to our compliance record on the NYSE.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

REASONS FOR THE LISTING

Our Board is of the view that the Listing and the Global Offering will present us with an opportunity to further expand our investor base and broaden our access to capital markets and provide us with the necessary funding for us to design, research and development of advanced technology to reinforce our market leadership, expand and enhance our product offerings, focus on marketing and branding, and pursue strategic partnerships, investments and acquisitions to implement long-term growth strategies as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus. It is expected that the net proceeds from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us, will amount to approximately HK\$94.5 million (based on the indicative offer price of HK\$22.80 per Offer Share, and assuming the Over-allotment Option is not exercised).

OUR INVESTORS PRIOR TO THE NYSE LISTING

Since incorporation of our Company in August 2014 to February 2021, our Company received various rounds of investment from investors including angel investors, professional equity investment funds and global technology companies. We issued ordinary shares and preferred shares in the share capital of our Company to these investors, which included an aggregate of (i) 38,006,282^(Note) ordinary shares in August and December 2014, and February 2021 for an aggregate consideration of approximately US\$201.8 million, (ii) 65,288,360^(Note) Series A preferred shares^(Note) in December 2014 and March 2015 for an aggregate consideration of approximately US\$9.0 million, (iii) 13,679,270^(Note) Series A-1 preferred shares in November 2016 for an aggregate consideration of approximately US\$3.0 million (1,457,003 Series A-1 preferred shares were repurchased subsequently in November 2019), (iv) 87,756,440^(Note) Series B preferred shares in August and September 2017 for an aggregate consideration of approximately US\$29.0 million, (v) 60,468,490^(Note) Series C preferred shares in April and May 2018 for an aggregate consideration of approximately US\$115.0 million and (vi) 52,428,242 Series D preferred shares in September and November 2019 for an aggregate consideration of approximately US\$179.9 million upon completion of these investments. All of the ordinary shares and preferred shares had a par value of US\$0.00005 each. The aggregate net proceeds from such investments amounted to approximately US\$0.5 billion. We utilized the net proceeds from these investments for working capital and general corporate purposes in connection with the Group’s business including expenses on purchase of chips and public cloud services, our employee-related costs, marketing costs related to our developer conferences and events and on content and social media marketing, rental and utilities, and legal, audit and information technology professional fees over the years. As at the Latest Practicable Date, among the aggregate net proceeds in the amount of US\$0.5 billion from the investments prior to the NYSE Listing, more than 50% has been utilized.

Note: This represents the number of ordinary shares after share subdivision in June 2018.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Among such investors, New Enterprise Associates 14, L.P. and NEA 15 Opportunity Fund, L.P., investment limited partnerships connecting with New Enterprise Associates Inc. (“NEA”), subscribed for 5,803,410 Series A preferred shares of US\$0.0005 each in December 2014, 4,539,127 Series B preferred shares of US\$0.0005 each in August 2017, 1,840,226 Series C preferred shares of US\$0.0005 each in April 2018 and 1,457,003 Series D preferred shares of US\$0.0005 each in September 2019 for an aggregate consideration of approximately US\$63.0 million. As of the Latest Practicable Date, NEA held 123,284,633 Class A Ordinary Shares and is expected to be a substantial shareholder of our Company following the Listing.

NEA is a venture capital firm with more than 40 years of history, principally engaging in investment in advanced technology, science and medical sectors. Since its inception, NEA has approximately US\$24 billion committed capital (including both active and historical commitments). NEA is an experienced investor and has invested in a spectrum of companies in information technology sector, including Cloudflare (a global cloud platform services provider which provides various network services to business of all sizes and geographies, and whose Class A common stocks are listed on the NYSE under the symbol of “NET”) and MuleSoft (a provider of an unified platform which includes the key technology components required for IT architects, developers, and systems administrators to scale their application networks, and whose Class A common stocks were listed on the NYSE under the symbol of “MULE”). The sole general partner of New Enterprise Associates 14, L.P. is NEA Partners 14 L.P. The sole general partner of NEA Partners 14 L.P. is NEA 14 GP, LTD. The sole general partner of NEA 15 Opportunity Fund, L.P. is NEA Partners 15-OF, L.P. The sole general partner of NEA Partners 15-OF, L.P. is NEA 15 GP, LLC.

Both Tencent Mobility Limited and Image Frame Investment (HK) Limited are wholly-owned subsidiaries of Tencent.

Both NEA and Tencent are sophisticated investors of our Company and in accordance with Guidance Letter HKEX-GL-93-18, had retained an aggregate 50% of the investment at the time of our listing on the NYSE for a period of six months following such time.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our incorporation that we consider to be material to us.

2015 EQUITY INCENTIVE PLAN

Our Company adopted the 2015 Equity Incentive Plan on December 23, 2014. The purpose of the 2015 Equity Incentive Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of the Company's business. For details of the principal terms of the 2015 Equity Incentive Plan, please refer to the paragraph headed "Appendix IV – Statutory and General Information – D. Equity Incentive Plan – 1. The 2015 Equity Incentive Plan" in this prospectus.

PRC REGULATORY REQUIREMENTS

M&A Rules

According to 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") jointly issued by MOFCOM, the SASAC, the SAT, the CSRC, the SAIC (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion, based on its understanding of the current PRC laws and regulations, prior CSRC approval abovementioned for this offering is not required because (i) our wholly foreign-owned PRC subsidiaries were not established through mergers or acquisitions of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company; and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules and other PRC laws and regulations will be interpreted or implemented or whether the relevant authorities would promulgate further requirements.

SAFE registration in the PRC

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round Trip Investment via 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融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 37**”), promulgated by SAFE on July 4, 2014 with immediate effect which replaced the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular No. 75**”), (a) a PRC resident must register with the local SAFE counterpart before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE counterpart for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Notice on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Notice No. 13**”), promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, the power of foreign exchange registration was delegated from the local SAFE counterpart to qualified local banks where the domestic entity was incorporated.

As advised by our PRC Legal Advisor, Mr. Wang, Mr. Chen, Mr. Zhou, Mr. Lin Yaona, Mr. Chen Peihong, Mr. Wu Yongming and Mr. Li Zhiguo who indirectly hold Shares of our Company and are known to us as being PRC citizens, have completed the registration under the SAFE Circular 37 in December 2014.

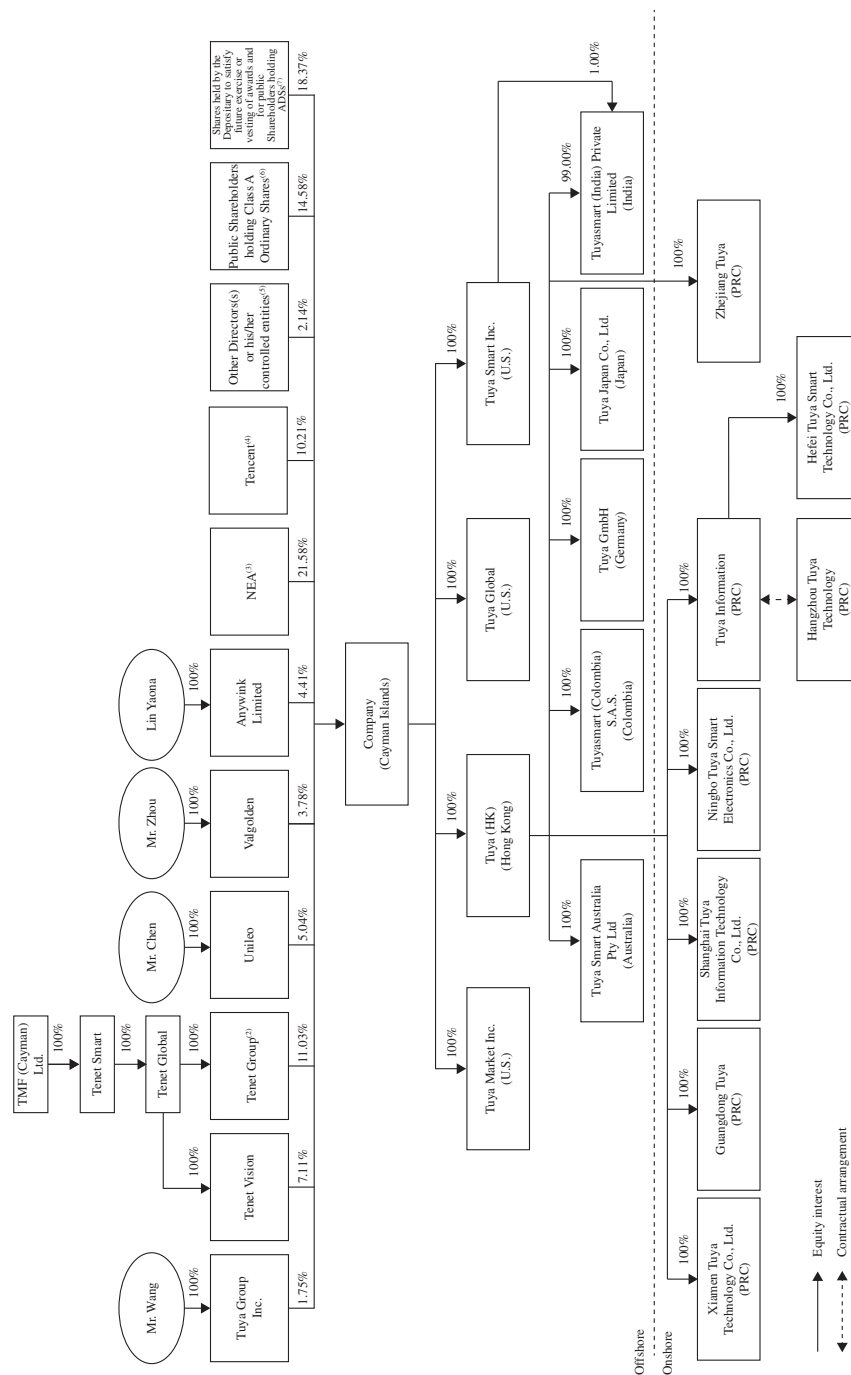
PUBLIC FLOAT

So far as our Directors are aware, upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Class A Ordinary Shares which may be further issued under the 2015 Equity Incentive Plan), the Shares held by Tuya Group Inc., Tenet Vision, Tenet Group, Unileo, Valgolden, Anywink Limited and GTY Holdings Limited which are controlled by our core connected persons, the Shares owned by NEA and Tencent which are our substantial Shareholders, the Shares or ADSs owned by the directors of our Company and subsidiaries who will hold directorship on the Listing Date, their respective spouses and entities controlled by them, will not be counted towards the public float.

So far as our Directors are aware, save as provided above and the 25,691,894 Class A Ordinary Shares held by our Depositary which may be used to satisfy the future exercise or vesting of stock options/awards granted under the 2015 Equity Incentive Plans, upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Class A Ordinary Shares which may be further issued under the 2015 Equity Incentive Plan), the remaining Shareholders are not core connected persons and will collectively hold 162,531,017 Class A Ordinary Shares or approximately 28.09% of the total number of issued shares of our Company, which will count towards the public float.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram illustrates the simplified corporate and shareholding structure of our Group as at the Latest Practicable Date and immediately prior to the completion of the Global Offering (assuming there is no change in the shareholding of the public Shareholders from the Latest Practicable Date to immediately prior to the Global Offering and assuming no further Shares are issued under the 2015 Equity Incentive Plan):



Notes:

- (1) Our Company has adopted a WVR structure and will continue to have the WVR structure upon the completion of the Global Offering. For details, please refer to the paragraph headed “Share Capital – WVR Structure” in this prospectus.
- (2) Each of Tenet Vision and Tenet Group is wholly owned by Tenet Global, which is in turn wholly owned by Tenet Smart. Tenet Smart is wholly owned by TMF (Cayman) Ltd., which is the trustee of Wang’s Family Trust, of which the settlor is Mr. Wang and the beneficiaries are Mr. Wang and Tuya Group Inc.
- (3) This represents 111,923,991 Class A Ordinary Shares held by New Enterprise Associates 14, L.P. and 11,360,642 Class A Ordinary Shares held by NEA 15 Opportunity Fund L.P.
- (4) This represents 55,924,769 Class A Ordinary Shares held by Tencent Mobility Limited and 2,375,000 Class A Ordinary Shares represented by ADSs owned by Image Frame Investment (HK) Limited. Both Tencent Mobility Limited and Image Frame Investment (HK) Limited are incorporated in Hong Kong and wholly-owned subsidiaries of Tencent.
- (5) This includes:
 - (a) 12,222,267 Class A Ordinary Shares held by GTY Holdings Limited, a limited liability incorporated in the Cayman Islands on November 17, 2020, which is wholly owned by an investment fund, the general partner of which is Gaocheng Holdings GP Ltd. Ms. Hong Jing, our non-executive Director effective upon Listing, is the director of Gaocheng Holdings GP Ltd.
 - (b) 7,500 Class A Ordinary Shares represented by ADSs owned by the spouse of Mr. Huang Sidney Xuande, our independent non-executive Director effective upon Listing, representing approximately 0.001% of the issued Shares of the Company as at the Latest Practicable Date.
 - (c) 9,500 Class A Ordinary Shares represented by ADSs owned by the Mr. Qiu Changheng, our independent non-executive Director effective upon Listing, representing approximately 0.002% of the issued Shares of the Company as at the Latest Practicable Date.
- (6) Other public Shareholders include:
 - (a) Global Bridge Capital USD Fund I, L.P., holding 23,017,100 Class A Ordinary Shares, representing approximately 4.03% of the issued Shares of the Company as at the Latest Practicable Date. Global Bridge Capital USD Fund I, L.P. is a Cayman Islands exempted limited partnership, the general partnership of which is Global Bridge Capital I GP, LLC which is indirectly owned as to 50% by China International Capital Corporation Limited (a company incorporated in the PRC listed on the Shanghai Stock Exchange (stock code: 601995.SH) and the Stock Exchange (stock code: 3908.HK)) and 50% by CaGBC Investments Ltd.
 - (b) Quadrille Technologies III FPCI and Quadrille Tuya LLC, an intermediary company and limited partnership under the investment firm Quadrille Capital, collectively holding 20,388,200 Class A Ordinary Shares, representing approximately 3.57% of the issued Shares of the Company as at the Latest Practicable Date. Quadrille Capital is an investment firm focusing on technology and healthcare in the U.S., Europe and PRC.

- (c) NVMB XIV Holdings Limited, a limited liability incorporated in the Cayman Islands on November 30, 2020 under the investment firm, Hillhouse Capital, holding 9,615,769 Class A Ordinary Shares, representing approximately 1.68% of the issued Shares of the Company as at the Latest Practicable Date. Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financial and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of global institutional clients.
 - (d) China Broadband Capital Partners IV, L.P., a Cayman Islands exempted limited partnership under the investment firm, China Broadband Capital, holding 9,343,683 Class A Ordinary Shares, representing approximately 1.64% of the issued Shares of the Company as at the Latest Practicable Date. China Broadband Capital is a PRC-based private equity firm focusing on telecommunication, media and technology investments.
 - (e) Volinks Limited, holding 9,300,000 Class A Ordinary Shares, representing approximately 1.63% of the issued Shares of the Company as at the Latest Practicable Date. Volinks Limited is a company incorporated in BVI and wholly owned by Mr. Chen Peihong, who is an employee of our Group and an Independent Third Party. Volinks Limited also owns 1,077,840 Class A Ordinary Shares represented by ADSs as illustrated in note (7) below, representing approximately 0.19% of the issued Shares of the Company as at the Latest Practicable Date.
 - (f) The foregoing Shareholders in this note (6) are our investors that invested in us before our initial public offering and listing on the NYSE. The remaining public Shareholders include public Shareholders who each holds less than 1% of the issued Class A Ordinary Shares as at the Latest Practicable Date.
- (7) This includes:
- (a) the Class A Ordinary Shares held of record by custodian of the Depositary through ADSs owned by the public Shareholders.
 - (b) the Class A Ordinary Shares held by the custodian of the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan. As of the Latest Practicable Date, as the relevant awards have not yet been exercised or vested, the Depositary or its custodian is not entitled to exercise the voting rights attached to such Class A Ordinary Shares; only the holder of the ADSs representing such Class A Ordinary Shares, once issued/transferred pursuant to the exercise or vesting of the relevant awards, may exercise the relevant voting rights by giving the necessary instructions to the Depositary.

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OUR MISSION

Our mission is to build an IoT developer ecosystem and to enable everything to be smart.

We envision an era of IoT, when our ecosystem seamlessly connects every “thing” to not only unleash commercial opportunities for businesses but also create values for users.

OUR CULTURE

We are a team of engineers and entrepreneurs with rich experience in software, cloud and enterprise with a shared vision to unlock business opportunities and create values through IoT. We founded Tuya based upon the principles of team spirit, innovation and unlimited courage. Our two founders, Mr. Wang and Mr. Chen, have worked closely on numerous entrepreneurial ventures, striving to achieve continued technology and product innovation and create new market opportunities. Under their leadership, we are deeply committed to the spirit of innovation and entrepreneurship and have continued to grow our business and operations by providing better, more innovative products and services. We also firmly believe that success comes to those who share a common pursuit to change the world for the better, those who are reformers and constantly generate groundbreaking ideas, and those who are brave enough to face the challenges and turn these ideas into reality. These beliefs underpin all the work we do and are the foundation of our corporate culture.

OVERVIEW

IoT refers to the connection of physical objects, or “things,” that are embedded with communication modules, software, and other technologies for the purpose of connecting and exchanging information with other devices and systems over the internet or other communications networks. By connecting a large number of physical objects, as well as the people using them, to an extensive interconnected network, IoT turns everyday things into “smart” connected devices and is transforming the way people interact with devices and the broader physical world, creating new business opportunities.

We established the world’s first IoT cloud development platform, according to CIC, which has given us substantial first-mover advantages in the global IoT PaaS space. According to CIC, we established our IoT cloud development platform in May 2015, earlier than our major competitors in the global IoT PaaS Industry. See “Industry Overview – Competitive Analysis of Global IoT PaaS Industry.” Through our IoT cloud development platform, we deliver a variety of offerings. Our IoT PaaS enables brands, OEMs, and developers to develop, launch, manage and monetize smart devices and services. Our Industry SaaS offering enables businesses to deploy, connect, and manage large numbers and different types of smart devices. We also offer businesses, developers and end users a diverse range of cloud-based value-added services to improve their ability to develop and manage IoT experiences.

Through our IoT cloud development platform, we have enabled developers to activate an IoT ecosystem of brands, OEMs, partners and end users to engage and communicate through a broad range of smart devices.

Tuya IoT Cloud Development Platform-enabled Ecosystem



We have cultivated a large and diversified customer base. We had approximately 5,000 and 8,400 customers, respectively, in 2020 and 2021, primarily including brands, OEMs, industry operators and system integrators. For the same periods, our IoT PaaS empowered approximately 2,700 and 4,100 brands, respectively, to develop their smart devices, including leading brands such as Calex, Philips and Schneider Electric. Our IoT PaaS currently enables businesses and developers across over 200 countries and regions globally to develop smart devices in more than 2,200 categories. We are the largest IoT PaaS provider in the global market of IoT PaaS as a subset of the broader IoT industry in terms of the volume of smart devices powered in 2021, according to CIC. For more information about the industries in which we operate, see “Industry Overview.” As of December 31, 2021, there were approximately 388.3 million smart devices powered by Tuya. We are also attracting an increasing number of Industry SaaS customers. We have established a large and active community of over 510,000 registered IoT device and software developers as of December 31, 2021. Smart devices powered by Tuya are available in approximately 120,000 stores all over the world as of the Latest Practicable Date.

Today, billions of smartphone users run their lives on millions of apps. The mobile internet revolution is made possible by ubiquitous high speed connectivity, local capabilities in computing, storage and networking, and most importantly a software experience that transforms business operations and user interaction. IoT provides the opportunity of connecting every “thing” and every person. This offers a growth opportunity similar to that of the mobile internet. We believe IoT will follow a similar evolution enabled by connectivity, computing, software and software development tools. During this evolution, developers are playing a key role in deciding the services and technologies to be used within their organizations and unlocking the IoT growth opportunity. As developers create more smart devices and IoT services, they need a software platform that enables them to develop efficiently and manage the complexities of the full development cycle.

Traditionally, businesses offered static, disconnected devices that limited their ability to establish and maintain long-term relationships with their end users. We have built an open and cloud-native platform, where developers can create software applications that turn traditional devices into connected and active devices, engage with end users throughout the product lifecycle, and create new revenue opportunities.

Our offerings enable customers across a broad range of industry verticals, such as smart home, smart business, healthcare, education, agriculture, outdoors and sport, and entertainment. Our platform is cloud-agnostic, allowing customers to simultaneously work with multiple public cloud solutions, such as Amazon Web Services, Microsoft Azure and Tencent Cloud, as well as their private cloud infrastructures, with the flexibility to switch among them if needed. Our platform also integrates mainstream third-party technologies, such as Amazon Alexa, Google Assistant and Samsung SmartThings, to make smart devices more intelligent.

Our platform benefits from network effects driven by our ecosystem of developers, businesses, partners and end users. End users of smart devices demand a single interface to interact with various types of devices from different brands—an experience similar to using different apps on one smartphone. Our platform provides an open architecture to connect any device from any brand, while enabling users to manage all devices across brands through a single portal. As a result, we believe that as our platform continues to grow, more brands and OEMs want to join our platform to integrate their devices onto the single user interface through which devices from other brands are connected. These self-reinforcing network effects further increase our brand awareness and generate word-of-mouth referrals, helping us build an extensive, vibrant and increasingly interconnected IoT ecosystem.

We help our customers succeed and benefit from their long-term growth through our consumption-based revenue model as we deploy IoT PaaS on more smart devices developed by our customers. We had 311 premium IoT PaaS customers, defined as IoT PaaS customers who individually contributed more than US\$100,000 of revenue during the immediately preceding 12-month periods, as of December 31, 2021. In 2021, our premium IoT PaaS customers contributed approximately 88.6% of our revenues generated from IoT PaaS. Our dollar-based net expansion rate of IoT PaaS was 153% for the trailing 12-month period ended December 31, 2021, indicating strong growth within our existing customer base.

We also provide Industry SaaS to help businesses drive efficiency, cost saving and productivity across verticals, from smart commercial lighting to smart hotel and community. The deployment of our Industry SaaS solutions also enables us to reach and build relationships with a large number of brands, hardware companies and system integrators, which reinforces our network effect and synergies. We have also gained significant traction of Industry SaaS since its launch in late 2019, demonstrated by the fact that over 85% of businesses that became our smart hotel SaaS customers in 2020 renewed their contracts with us in 2021.

Our business has scaled rapidly in recent years. In 2021, we achieved deployment of IoT PaaS of 184.0 million, representing an increase of 57.9% from 116.5 million in 2020. In 2021, our revenue was US\$302.1 million, representing an increase of 67.9% from 2020. In 2020, our revenue grew to US\$179.9 million, representing an increase of 70.0% from 2019. We generated net losses of US\$70.5 million, US\$66.9 million and US\$175.4 million in 2019, 2020 and 2021, respectively. In 2019, 2020 and 2021, our adjusted loss (non-GAAP financial measure) was US\$65.3 million, US\$57.5 million and US\$109.3 million, respectively. For an explanation of our reasons for using adjusted loss (non-GAAP financial measure) and a reconciliation of adjusted loss (non-GAAP financial measure) to net loss, see “Financial Information – Non-GAAP Financial Measure.”

Challenges in the IoT Era

By transforming the way people interact with the physical world, IoT is also changing how brands and OEMs develop products. With favorable technology drivers, consumers are increasingly demanding a software-like experience – in addition to the traditional physical interfaces – when interacting with devices. As a result, brands and OEMs are seeking to build software capabilities in order to offer IoT-enabled smart devices.

However, for brands and OEMs, building software capabilities from scratch is both costly and time-consuming, causing many of their IoT ventures to be unsuccessful. While very few leading brands have built their own IoT solutions, these solutions often are only limited to their own products, or products of their selected business partners, and the vast majority of brands and OEMs globally simply do not have the capital and technology expertise necessary to develop and deploy software across millions of devices, according to CIC. Brands, OEMs and developers face a number of challenges in delivering software-enabled IoT offerings, which also affects the end user experience:

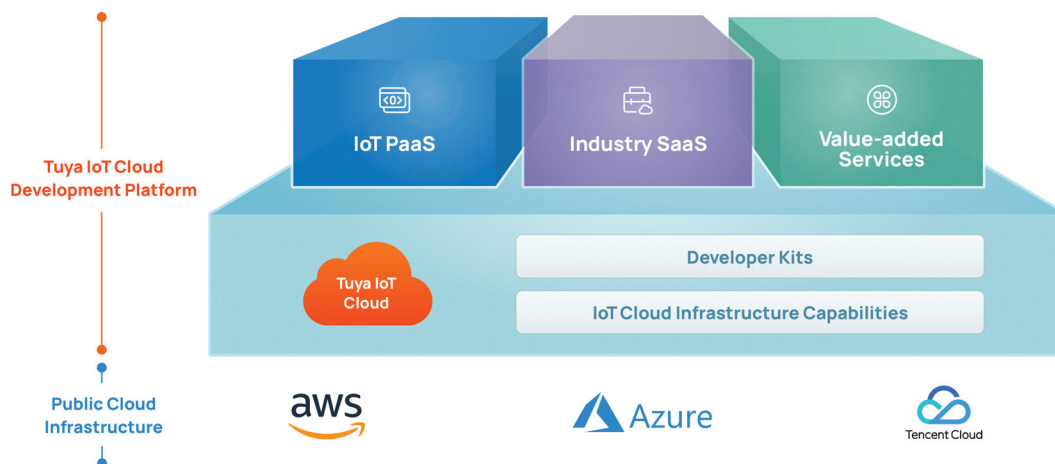
- **Lack of development talent and capabilities.** Both device and software development require new capabilities to support the design, release and management of software-enabled products. Such technology expertise – especially the knowledge, experience and talents necessary to support software deployed across millions of devices – is in short supply.
- **Cost and complexity to develop platform, tools and applications.** For brands and OEMs and developers, significant investments are required to develop an IoT offering, ranging from developing scalable platform software or middleware as well as easy-to-use developer tools, all the way to designing and testing end user-facing mobile applications. Rigorous requirements on security, compliance, scalability and interoperability bring additional cost and complexity.
- **Long time-to-market.** There is an immediate need for brands and OEMs to deliver software-enabled experiences for traditional products. Undergoing such a transformation on their own or even integrating piecemeal offerings to tailor this, leads to long development cycles and often loss of market share.
- **Lack of standardized, easy-to-use software infrastructure and tools for developers.** Developers for smart devices and IoT software often face a lack of widely established standards given the industry is relatively nascent. It can take tremendous effort to develop common software infrastructure with a large variety of application programming interfaces, or APIs, that might not be compatible with each other or to migrate a set of developed software and data from one cloud provider to another. This common software infrastructure is often difficult for application developers to build and scale to support evolving application requirements.
- **Inconsistent user experience.** End users are largely accustomed to the unified experience provided by the iOS and Android systems in mobile internet, where they can have intuitive and standardized interaction with applications on their smartphones. Currently, many smart devices lack that level of consistencies in software experience. End users might have to switch between different applications and user interfaces to control different devices, and cannot share data between them. Such friction and confusion can deter them from acquiring more smart devices and services.

These significant challenges have created the need for a third-party IoT platform that takes care of the complexities of developing, launching, supporting and growing IoT software, so businesses and developers can leverage full-stack infrastructure and tools to develop devices and software applications with ease.

The Tuya Solution – An IoT Cloud Development Platform

Tuya was founded to solve exactly these challenges. We offer what we call an “IoT cloud development platform” – a platform that is open to all types of brands, OEMs, and developers from across the world where they can access a common infrastructure and all the ready-to-use software, development tools and services needed to develop and manage smart devices. According to CIC, we offered the world’s first IoT cloud development platform, giving us significant first-mover advantages in attracting and building long-term relationships with brands and OEMs globally.

Our IoT cloud development platform is one-stop and cloud-agnostic and allows our brands and OEMs to digitalize their businesses and transform the experience of their end users across a diverse range of use cases. We use “IoT cloud development platform” as a collective term to refer to a combination of the various IoT capabilities, products and services that we offer to brands, OEMs, developers, partners and end users. As illustrated in the diagram below, our IoT cloud development platform encompasses the various IoT developer kits and cloud infrastructure capabilities and our products and services built upon such capabilities. Our “IoT cloud infrastructure capabilities” refer to various core capabilities offered by our critical technologies, i.e. Things Technology Platform (TTP), Application Enabling Platform (AEP) and Business Technology Platform (BTP). For more information, see “– Our Technologies.” Through our platform we have established an ecosystem of brands, OEMs, developers, partners and end users.



The foundation of our solution is Tuya IoT Cloud infrastructure, our unified underlying cloud infrastructure that provides a suite of infrastructure capabilities and developer kits.

Based upon our Tuya IoT cloud infrastructure capabilities, we offer the following major products and services:

- **IoT PaaS.** IoT PaaS provides brands and OEMs with a common software infrastructure and ready-to-use software and development tools that they need to develop, manage and upgrade smart devices. IoT PaaS combines *cloud-based connectivity and basic IoT services, edge capabilities, app development and device optimization solutions*, which we believe are the most fundamental elements of enabling a product with IoT. Our IoT PaaS can be deployed on public or private cloud infrastructures such as Amazon Web Services, Microsoft Azure and Tencent Cloud. Our IoT PaaS transforms traditional products into IoT-enabled products with computing, storage and networking capabilities on the “edge”, laying the foundation for a low code or no code development environment. We also provide a suite of developer tools and cloud-based services for customers to personalize or develop IoT applications that connect to our IoT cloud development platform and manage their smart devices for a variety of use cases.
- **Industry SaaS.** We offer Industry SaaS, vertical-focused software solutions for different industry verticals. Businesses, such as hotel operators or property managers, leverage our SaaS solutions to intelligently manage their operations based on connected smart devices, thereby improving operating efficiency and optimizing costs. Our SaaS offerings are fully integrated with our IoT cloud infrastructure, device management apps and user apps, for customers to use in a plug-and-play manner.
- **Cloud-based value-added services and others.** We have started to roll out a variety of services both to business customers and directly to the end users of Tuya-powered smart devices. We offer AI-powered virtual assistants to business customers. We also offer a variety of cloud-based services directly to end users including push messaging and content services.

Benefits of Our IoT Cloud Development Platform

The key benefits to our business customers include:

- **Scalable development talent and capabilities.** Brands and OEMs that use our IoT cloud development platform become more efficient in utilizing in-house resources dedicated to developing IoT software, and focus their talent on core business competences in product development instead of building their IoT software development platform and tools on their own from scratch. We continue to expand features offered on our platform which enables brands and OEMs to maintain IoT cloud services more easily. We serve as a one-stop shop for brands, OEMs and

developers to build their IoT capabilities, from equipping devices with the most basic IoT functions (e.g. computing, connectivity, and storage), to designing and testing user-facing mobile applications, and all the way to bringing more innovative IoT use cases to reality.

- **Reduction in cost and complexity.** Businesses using our IoT cloud development platform can save on the heavy investment in setting up and maintaining complex IT infrastructure. They are able to outsource complex IoT infrastructure requirements to us while we enable them to adopt the latest technologies with purpose-built capabilities for security, compliance and interoperability. For example, brands and OEMs can benefit from cost saving features offered by our cloud-agnostic development platform. This flexibility is critical to brands and OEMs as it enables them to scale up their product portfolios as well as to cater to the broadest user bases across global markets, as different brands may have different preferences over cloud infrastructure from commercial or internal management perspectives.
- **Short time-to-market.** With our IoT cloud development platform, businesses can launch smart devices and corresponding software applications with faster time-to-market, often within weeks, saving significant time, cost and uncertainty from developing a full stack for product releases, according to CIC.
- **Long-term customer engagement.** More authorized user interaction and deeper user insight allow brands and OEMs to build a long-lasting relationship with their end users. For example, we enable businesses to conduct targeted marketing, e-commerce, and customer service beyond point of sale so that they can maintain improved customer relationships throughout the product lifecycle.

The key benefits to developers on our IoT cloud development platform include:

- **Neutral and highly compatible infrastructure.** Developers can develop software for multiple environments as our platform is cloud- and communication protocol-agnostic with comprehensive APIs and partnership with leading global technology providers. Such infrastructure enables device and software developers to create a standardized base across their product portfolio, and even allows their products to be able to connect other third party devices applying the same standards.
- **Low-code or no-code development tools.** We significantly reduce the threshold for software development. Brands and OEMs can design, develop and launch scalable smart devices through our intuitive, visual programming interfaces that enable software functionality to be developed with little or no programming expertise. For example, our self-developed Application Enabling Platform (AEP) provides developers with a one-stop shop of IoT cloud capabilities that they can use to add, customize, or integrate functionality in a “low-” or even “no-code” development

environment. See “– Our Technologies” for more information about AEP. At the same time, our development solutions make it easy for advanced developers to create applications with differentiated outcome.

- **Powerful analytics capabilities.** Developers can generate meaningful insights from usage and device information from our IoT cloud development platform to understand user feedback, improve product design, as well as personalize the end user experience, even across brands and categories.

The key benefits to end users include:

- **Unified and consistent user experience across products and brands.** Our IoT cloud development platform is designed to be category- and brand-agnostic, compatible with devices across brands and categories. This makes it possible for end users to interact with multiple devices from multiple brands and categories in their environment through one single mobile app, instead of switching between different apps for different brands and devices.
- **Superior IoT experience enabled by cutting-edge technologies.** We deliver superior end-user experience with our IoT technologies. For example, we have adopted an innovative “bypass” architecture to improve the response time of Tuya-powered devices to deliver a stable and undisrupted user experience. We have also pioneered the adoption of a task scheduling engine that can process high volume of scheduling requests simultaneously, ensuring that we deliver consistently high performance even during usage peak hours. See “– Our Technologies” for more information about these cutting-edge technologies.
- **Products with software services at a reasonable price.** Consumers will not need to share significant upfront costs of platform and software development, and enjoy smarter and more powerful smart devices and value-added services at a reasonable price. For example, end users can connect to our IoT cloud platform to access a wide variety of basic cloud-based services, such as app updates, for free. We also provide end-users with a curated suite of cloud-based value-added services, such as IoT data storage, push messaging, and content services to further enhance the end-user experience.

OUR COMPETITIVE STRENGTHS

Pioneer and Global Leader with Significant First-mover Advantage

Our first-mover advantage, scale and expertise allow us to partner with developers and customers to help them develop software that differentiates their products, thereby gaining significant IoT mindshare with developers and customers.

- **Market disruptor and established leader.** We launched our IoT cloud development platform in 2015, being the first of its kind in the world according to CIC. This has given us significant first-mover advantages enabling us to quickly attract and build long-term relationships with well-known brands. As a pioneer in IoT cloud development platform that integrates both PaaS and SaaS, we enable businesses to transform traditional devices into software-enabled products. We are the largest IoT PaaS provider in the global market of IoT PaaS as a subset of the broader IoT industry in terms of the volume of smart devices powered in 2021, according to CIC. Our IoT PaaS currently enables businesses and developers across over 200 countries and regions globally to develop smart devices in more than 2,200 categories. We have also nurtured a large and active community of over 510,000 registered IoT device and software developers as of December 31, 2021. As of the Latest Practicable Date, smart devices powered by Tuya are available in approximately 120,000 stores all over the world.
- **Massive scale of operation.** As of December 31, 2021, there were approximately 388.3 million smart devices powered by the Company. In 2020 and 2021, the Company newly powered over 116.5 million and 184.0 million smart devices, respectively.

Open and End-to-end IoT Cloud Development Platform

We have built an open and integrated IoT cloud development platform that provides developers across the world with lifecycle services and enable them to build and manage applications by taking care of the remaining technical complexities.

- **Open.** We have designed our IoT cloud development platform to be open. We have developed a collection of APIs that enable us to integrate with a variety of cloud infrastructure components. We are not limited to any particular ecosystem. Unlike those very few leading brands who built IoT capabilities around their own products or those of their business partners, our platform is open to all brands and OEMs, compatible with devices across a broad range of brands and categories. We enable seamless integration with all leading IoT and smart home services, including voice control from Amazon Alexa and Google Assistant, as well as other key platforms like Samsung SmartThings. Our solution also supports all mainstream bandwidth applications and connectivity protocols, including Wi-Fi, ZigBee, dual radio, Bluetooth, 5G and NB-IoT, and can mix and match connectivity needs of our customers. The open nature of our IoT cloud development platform future-proofs it from changes in underlying industry standards and components.
- **Cloud agnostic.** Our multi-cloud architecture does not depend on any single cloud service provider. It seamlessly integrates into major global cloud services, such as Amazon Web Services, Microsoft Azure and Tencent Cloud, and can be built on demand on our customers' private cloud infrastructure. According to CIC, the Company is the world's first IoT cloud development platform at scale that is

cloud-agnostic. We enable global developers to simultaneously work on multiple cloud infrastructures, with the flexibility to transfer their completed and in-process software applications from one cloud infrastructure to another. This flexibility is highly valued by brands and OEMs because it allows them to scale up their product portfolios to cater to the broadest user bases across global markets, as different brands may have different preferences over cloud infrastructures, from commercial or compliance perspectives.

- **Full-stack solutions.** Our IoT cloud development platform is “full-stack,” meaning that it offers all the services and tools developers need to develop, manage and upgrade smart devices at one stop, without having to switch to different platforms. According to CIC, we are the world’s first IoT cloud development platform to provide end-to-end IoT services. Our solution encompasses all of the four “layers” of an IoT architecture that are necessary in order for a smart device to function properly, including perception, network, platform, and application. This makes us a one-stop shop for brands and OEMs looking to build their IoT capabilities where they save significant costs associated with creating such tools from scratch on their own or dealing with multiple IoT cloud development platforms.

Differentiated Technology and Data Capabilities

We leverage our technologies to enable developers to have better developing experience, and help them better serve end users.

- **Simple but not simplistic.** Our low- to no-code development tools and ready-to-use features take away the complexities of IoT development so that developers can focus on designing and developing better products and creating innovative IoT use cases.
- **Reliable and scalable infrastructure.** Our leading IoT technologies and worldwide infrastructure support ensure secure and stable coverage, providing reliability, low-latency, and redundancy. Our IoT cloud development platform can be connected to and support a large number of devices simultaneously (approximately 300,000 devices, at the high end of industry range) with an average device response time of less than 10 milliseconds which significantly outperform our major competitors whose the average device response time generally ranges between 20 to 50 milliseconds, according to CIC. We have adopted a distributed and flexible service architecture that allows for real-time scaling, making it easy for customers to increase capacity.
- **Unique device data insights.** After being enabled by IoT technologies, traditional businesses are provided with data on the usage of their devices. With the business insights generated from such data, businesses can better understand their end users, upgrade their software and hardware and deliver more comprehensive IoT-enabled services to them, leading to a sustainable relationship.

- **Industry leading data security and privacy protection.** We consider privacy and data security as a top priority and are dedicated to complying with laws in all markets where we operate. We currently have deployed six data centers that are hosted worldwide, including in China, the United States, Europe and India. User data are isolated regionally and not shared with data centers outside of that region. We have completed information security, privacy and compliance certifications and validations from top privacy compliance and cyber security firms globally, such as TrustArc, ioXt Alliance and Rapid7.

Thriving Ecosystem with Powerful Network Effects

We have established a thriving ecosystem of developers, brands, OEMs, partners and end users on our platform due to its powerful network effects.

Our platform provides an open architecture to connect any device from any brand, while enabling users to manage all devices across brands through a single portal. End users of smart devices demand a single interface to interact with various types of devices from different brands – an experience similar to using different apps on one smartphone. As a result, we believe that as our platform continues to grow, more brands want to join our platform to integrate their devices onto the single user interface through which devices from other brands are connected. These self-reinforcing network effects further increase our brand awareness and generates word-of-mouth referrals. Additionally, we allow our customers to try out new ideas based on our consumption-based revenue model to accelerate their adoption of our platform and cultivate a vibrant culture for innovation.

- **Vibrant developer and partner network.** We make IoT development easy for our device and software developers and encourage them to innovate. Many of those are focused on creating brand new IoT experience and developing fundamental software, which in turn attracts more developers focused on the application-level. As of December 31, 2021, we have attracted a community of over 510,000 registered IoT device and software developers who develop smart devices in over 589,000 SKUs, 31,900 applications based on our SDKs, and 156,000 cloud-based SaaS applications. According to CIC, we had more registered IoT device and software developers than our major competitors, who had not formed a developer community, or had a developer community of less than 500,000 registered IoT device and software developers, as of December 31, 2021. We define a SKU as a smart device model developed through the registered accounts of a developer on our IoT cloud development platform. We also partner with virtual assistant service providers, cloud infrastructure providers and online and offline retail channels to strengthen our ecosystem. Our growing Industry SaaS business also reinforces our network effect by allowing us to reach and build relationships with a variety of businesses, such as hardware companies and system integrators, generating increased brand awareness and word-of-mouth referrals.

- **Large and loyal global customer base.** We had approximately 8,400 customers in 2021, primarily including brands, OEMs, industry operators and system integrators. For the same period, our IoT PaaS empowered approximately 4,100 brands to develop their smart devices, including leading brands such as Calex, Philips and Schneider Electric, and are attracting an increasing number of Industry SaaS customers. According to CIC, our IoT PaaS empowered more brands than our major competitors, who empowered less than 4,000 brands in 2021. Our IoT PaaS currently enables businesses and developers to develop smart devices in more than 2,200 categories sold across over 200 countries and regions globally. Our customers have high switching cost due to the tight connection with end users made possible on our IoT cloud development platform and because very few IoT cloud development platforms offer one-stop services similar to those offered by us and we are more experienced and capable in serving a global audience of brands and OEMs via a cloud-agnostic platform than many of our peers, according to CIC. We recorded a dollar-based net expansion rate of our IoT PaaS customers of 153% for the trailing 12-month period ended December 31, 2021, demonstrating our strong ability to expand customers' usage of platform over time and to grow revenue generated from existing customers.
- **Expansive end user base.** We are the largest IoT PaaS provider in the global market of IoT PaaS as a subset of the broader IoT industry in terms of the volume of smart devices powered in 2021, according to CIC. As of December 31, 2021, there were approximately 388.3 million smart devices powered by Tuya.

OUR GROWTH STRATEGIES

We believe we are the leading IoT cloud development platform based on our leading position in the global market of IoT PaaS. We intend to strengthen our position as the leading IoT cloud development platform and continue to grow our business by pursuing the following strategies.

Extend Our Technology Leadership

Our success is attributable to technology innovation. The significant first-mover advantages in delivering an IoT cloud development platform and our proprietary IoT technologies not only enable brands, OEMs and developers to develop, manage and upgrade smart devices easily, but also enhance experience of end-users of the smart devices which in turn helps the Company attract more brands and OEMs.

We will continue to invest in research and innovation, particularly in our core capabilities such as IoT core, edge computing and AI algorithms, to extend our technology leadership in the industry. We plan to bring additional features and functionalities to our PaaS and SaaS offerings and scale our value-added services to end users of Tuya-powered products.

Deepen Our Relationship with Existing Customers

We grow with our customers as they develop and sell more Tuya-powered smart devices. For the trailing 12-month period ended December 31, 2021, the dollar-based net expansion rate of our IoT PaaS customers was 153%, demonstrating our strong ability to continue to expand customers' usage of its IoT cloud development platform over time and to grow revenue generated from existing customers. To achieve this, we help our customers increase sales volume of products already powered by Tuya, thereby encouraging them to bring more product families to our platform. We leverage our ecosystem partners to help customers further penetrate online e-commerce platforms and offline retail channels. Customers with initial success tend to expand our services to more product families to maximize the benefits of our platform.

A robust long-term customer relationship helps us lock in deployment and increase customers' stickiness. We strive to develop and maintain long-term relationship with our customers through our membership program. We plan to attract more customers to our membership program.

Acquire New Customers

The value propositions we provide to developers, brands and OEMs enable our customer acquisition motion. The number of our IoT PaaS customers experienced a rapid growth during the Track Record Period, increasing from approximately 2,300 in 2019 to approximately 3,300 in 2020, and further to approximately 5,500 in 2021. We believe the low penetration rate of smart devices presents significant growth headroom for us to tap into new customers. We strive to acquire new customers to grow our customer base. We will strengthen the network effects of our platform to attract more brands to join our platform and promote our brand awareness and word-of-mouth referrals, which in turn enables us to acquire new customers rapidly at low customer acquisition costs. We will also enhance our sales and marketing efforts to attract new customers to try out our products and services and accelerate their adoption of our platform.

Grow and Broaden SaaS Offerings

We develop pilot SaaS solutions to set a benchmark for SaaS application on top of our IoT cloud development platform. We have seen significant growth in revenues generated by our SaaS solutions for select verticals spanning over smart commercial lighting, smart hotel, smart apartment, smart community, as well as emerging use cases.

Broaden Our Reach by Expanding into New Verticals

We have successfully attracted brands from a number of verticals including smart home and smart business. Historically we have seen an increasingly diversified mix of verticals in which we operate. We intend to continue to broaden our reach into more verticals such as

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industrials, agriculture, outdoor, sport and entertainment. We will continue to develop more products and acquire new customers in all these verticals globally through our product development capabilities and R&D efforts.

OUR PRODUCTS AND SERVICES

We offer our products and services to all key IoT stakeholders.

We set out to offer *IoT PaaS* to customers developing smart devices, including brands and their contracted OEMs. Over time, we have extended our offerings to those who use smart devices. We offer *Industry SaaS* to businesses in selected verticals and cloud-based *value-added services* to end users.

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The table below sets forth our offerings of products and services and their respective revenue models:

Offerings	Customers	Description	Business Model
IoT PaaS	Customers developing smart devices (i.e. brands and OEMs, such as home appliance manufacturers)	IoT PaaS provides brands and OEMs with the access to a common software infrastructure and ready-to-use software and development tools that they need to develop, manage and upgrade smart devices.	<ul style="list-style-type: none"> We adopt a consumption-based revenue model by charging fees to customers (i.e. brands and OEMs) based on the number of “deployment of IoT PaaS,” a term used to refer to smart devices on which our IoT PaaS is deployed (i.e. smart devices developed using our IoT cloud development platform). We also offer a membership program to our customers that gives them the option to pay a membership fee primarily in exchange for discounts at various levels based on their expected volume of purchases.
Industry SaaS	Business customers <u>using</u> smart devices (e.g. hotel operators looking to manage a large number of smart devices, such as smart curtains and air conditioning, deployed across their properties)	Industry SaaS consists of vertical-focused software solutions (which can be accessed via web-based or mobile portals) enabling businesses across a variety of industries to deploy, connect, and manage large numbers and different types of smart devices.	<ul style="list-style-type: none"> We charge Industry SaaS customers a basic annual subscription fee that allows them to support a certain number of user accounts initially and in some cases, an incremental fee annually for additional user accounts added to their networks. In some cases we may also charge a one-time project-based fee, particularly for new key-account customers with tailored-made needs.
Value-added services	(i) Business customers <u>developing</u> smart devices (brands and OEMs) and (ii) end-users <u>using</u> smart devices (e.g. individual end-users of smart home appliances)	We offer a variety of (i) cloud-based services to business customers, such as brands and OEMs, that are complementary to IoT PaaS (e.g. Tuya Mall), and (ii) cloud-based services directly to end users (e.g. push messaging and content services).	<ul style="list-style-type: none"> We charge service fees for the value-added services to brands and OEMs. We offer services to end-users either for free or for a fee.

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Offerings	Customers	Description	Business Model
Smart Device Distribution	(i) Business customers developing smart devices (e.g. brands) and (ii) those integrating smart devices into their systems or services (e.g. system integrators who integrate various finished smart devices to provide service to hotels)	We offer customers who prefer not to directly deal with multiple OEMs the option to purchase directly from us finished smart devices deployed with IoT PaaS sourced from qualified OEMs. We also provide customers with the access to Tuya Expo, a dedicated business-to-business (B2B) platform connecting brands globally with an extensive network of OEMs.	<ul style="list-style-type: none"> For customers who purchase finished smart devices from us, we earn the difference between the prices at which the products are sourced and sold. We currently offer Tuya Expo for free.

The following table sets forth a breakdown of our revenue by products and services for the years indicated:

	For the year ended December 31,					
	2019		2020		2021	
	US\$	%	US\$	%	US\$	%
<i>(in thousands, except for percentages)</i>						
IoT PaaS	76,365	72.2	151,677	84.3	261,360	86.5
Smart device distribution	27,474	26.0	22,071	12.3	22,153	7.3
SaaS and others ⁽¹⁾	1,950	1.8	6,126	3.4	18,563	6.2
Total	105,789	100.0	179,874	100.0	302,076	100.0

Note:

(1) SaaS and others revenue consists of the revenue from our Industry SaaS and value-added services.

For Business Customers Developing Smart Devices

IoT PaaS

Our IoT PaaS is an integrated, all-in-one product for brands and OEMs to build and manage smart devices. We are the largest IoT PaaS provider in the global market of IoT PaaS as a subset of the broader IoT industry in terms of the volume of smart devices powered in 2021, according to CIC.

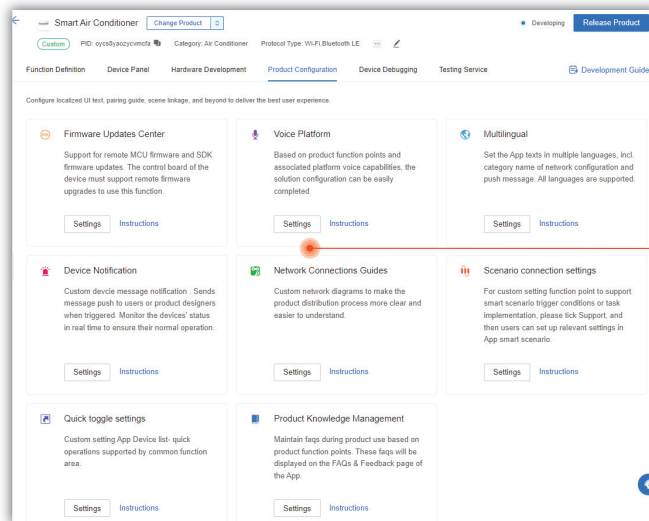
Our IoT PaaS combines *cloud-based connectivity and basic IoT services, edge capabilities, app development*, and *device optimization solutions* which we believe are the most fundamental elements of IoT capabilities. Customers can also leverage our developer toolkits, including SDKs and open APIs, to customize for desired use cases and functionalities.

- **Cloud-based connectivity and basic IoT services.** Our IoT cloud development platform assigns a unique virtual ID to each device powered by Tuya and pairs it with a “digital twin.” A digital twin enables real-time, closed-loop exchanges of data between the cloud and the physical smart device throughout its lifecycle. As the status of the device changes, the digital twin synchronizes with it and “closes the loop” by sending data back to the device to enable different functions.

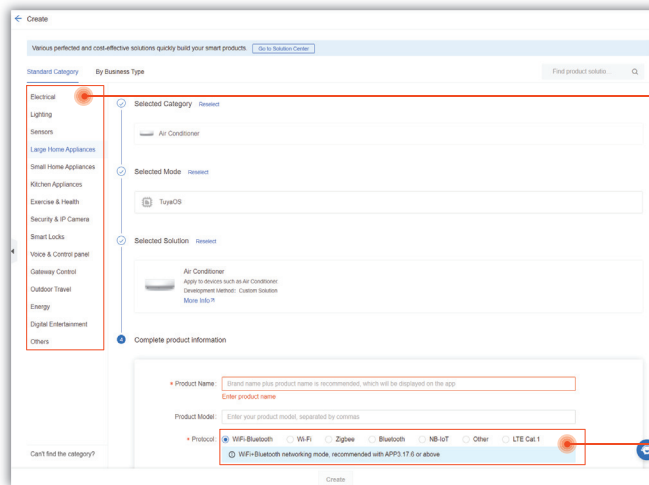
Digital twin and the cloud-based connectivity it enables offer many features hard to imagine in the pre-IoT era, such as using a smartphone to control multiple devices remotely and predicting failure based on patterns learned from vast amounts of IoT data. It also brings convenience and safety to end users. For example, when a sensor connected to the cloud detects kids coming home, it sends a text message to the parents asking them to unlock the door remotely; when smoke is detected while nobody is at home, it automatically turns off the gas and sends alerts. End users also benefit from basic IoT services such as automatic device scene switches based on real-time weather data stored on the cloud. Digital twin also makes troubleshooting easier and less costly by providing developers with a virtual test environment to troubleshoot problems without making any changes to the physical device.

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Our IoT PaaS offers developers, many of whom working for brands and OEMs, a portal through which they can access a variety of software and development tools, as illustrated in the screenshots below.



Cloud Configuration
Provide functions including remote firmware updates, multilingual set-up, scenario connection settings and quick toggle settings etc.

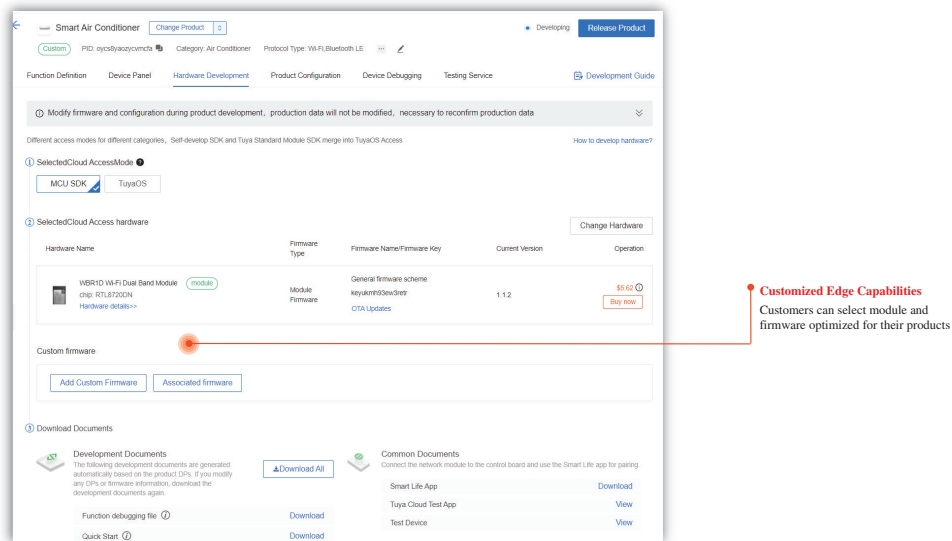


Broad Product Categories
A wide range of categories of products that can be connected to the Tuya IoT Cloud infrastructure

Compatible and Open
Support mainstream connectivity protocols, including WiFi, Bluetooth, Zigbee and NB-IoT

- **IoT edge capabilities.** To become “smart,” a device must have key capabilities such as connectivity, storage and data processing, which we call “edge” capabilities, embedded in modules installed on the device. Our IoT PaaS offers a library of edge capabilities for customers to choose from, as well as visualized, simple tools and dashboards for them to quickly find what they need. Our IoT PaaS currently supports all mainstream wireless technologies, including Wi-Fi, Bluetooth, ZigBee, and other IoT edge capabilities.

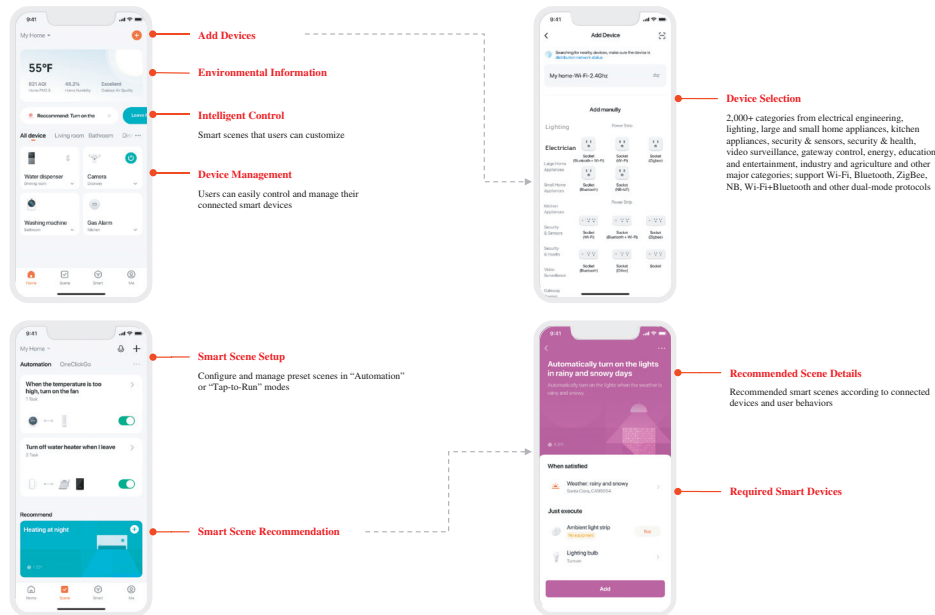
The below screenshot illustrates the interface through which developers can leverage IoT PaaS to embed edge capabilities.



The edge capabilities we offer are all pre-coded and ready-to-use, giving customers shorter time-to-market than writing the codes from scratch.

- **App development.** An easy-to-use app is key to a superior IoT experience. We offer “white label” apps with minimal modification required to give customers the shortest time-to-market. This “one-app-for-all” approach enables end users to manage multiple devices, even those from different brands and categories, using one app only. Our customers may choose to engage us to design tailor-made apps or, in many more cases, customize the apps themselves or through third-party developers with development tools that we offer.

The below screenshot showcases our “one-app-for-all” approach that enables end users to manage various functions and different categories of devices using a single app, as well as our “Smart Scene” functions, which allow users to configure and manage present scenes and recommend smart scenes according to connected devices and user behaviors.



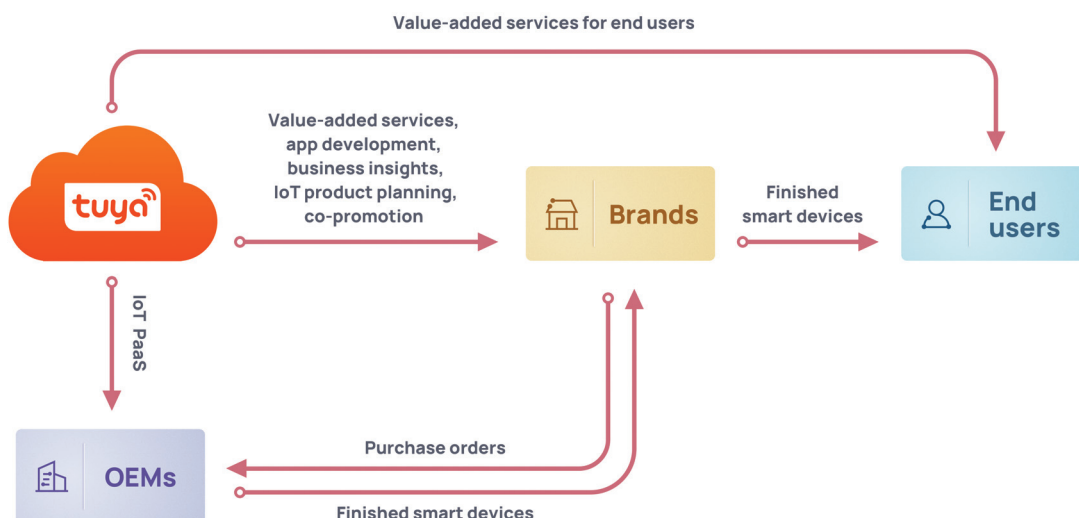
- **Device optimization solutions.** Even equipped with the edge capabilities, sometimes a device may not function well if the hardware is incompatible with the software. We bridge this gap for customers by helping them optimize the design, manufacturing and configuration of Tuya-powered devices to ensure that the hardware and software integrate to deliver the desired use cases and functionality. We also provide developers with a suite of analytics and debugging tools to help them independently identify root causes and troubleshoot problems.

Our IoT PaaS also includes the following ancillary cloud-based services:

- **Tuya Mall.** It refers to the services that we offer to customers to help them build their own online marketplace to sell and distribute smart devices.
- **AI-powered virtual assistants.** We enable our customers to add voice control powered by Amazon’s Alexa, Google Assistant and Samsung SmartThings to their devices.
- **Others.** In addition, we provide approximately 50 other ancillary value-added services, such as app function expansion service, device testing, “Work with Alexa” certification, “ZigBee Alliance” certification, and joint research and development of innovative IoT applications, among other things. We also enable our customers to process and leverage device-level and app-level information to generate business insights to help improve their businesses.

Our IoT PaaS offers a cloud-agnostic development environment, allowing customers to simultaneously work with multiple public or private cloud infrastructure, with the flexibility to switch among them if needed. This flexibility is valued by customers because it enables them to scale up their product portfolios as well as to cater to the broadest user bases across global markets, as different brands may have different preferences over cloud infrastructures, from commercial or compliance perspectives. According to CIC, we are the world's first IoT cloud development platform at scale that is cloud-agnostic.

The following flow chart illustrates how we connect and empower key stakeholders surrounding our IoT PaaS, i.e. brands (including retailers offering private-label smart devices) and their contracted OEMs, as well as end users. For more information about the value-added services we provide directly to end users, see “– For End Users Using Smart Devices.” For a summary of the key terms of our contracts with our IoT PaaS customers, see “– Our Customers.”

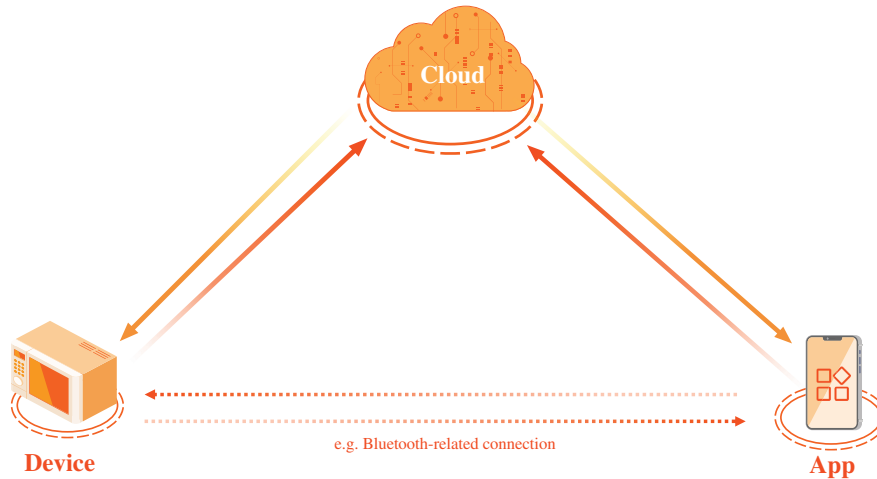


IoT means massive data generation with huge computing, storage and processing needs. The “edge,” which refer to the systems installed locally on single devices, typically does not have sufficient capacities to meet these needs. This is why we make IoT PaaS accessible through “cloud infrastructure.” This allows developers to access IoT PaaS anywhere remotely via the Internet and to ensure Tuya-powered devices can function properly by offloading substantial data computing, storage and processing from the “edge” to the “cloud.” We contract with vendors such as AWS, Microsoft Azure and Tencent Cloud so that we can make IoT PaaS accessible through their public cloud services to customers who choose to use public cloud infrastructure. Customers may choose to access IoT PaaS through private cloud infrastructure that they built themselves or procured from other third-parties.

After Tuya-powered smart devices have collected the data, the devices will transmit the data to the “cloud” (where our IoT PaaS is deployed), through the “gateway,” a virtual hub that connects the devices via the internet, using various communication protocols. Our IoT PaaS will then store and process the data to generate data-based intelligence that helps users interact

with and control the devices, often via an interface (such as a mobile app). Users may also use the interface to send commands to the devices. The commands will flow back through the cloud and gateway and ultimately to the smart devices to trigger the intended actions.

The below chart illustrates the data flows. For more information about the types of data collected by Tuya-powered devices, see “ – Data Security and Privacy.”



Here is a simple example of how this works in real life – a homeowner wants to be able to remotely control his or her dining room lamp. The homeowner may use a Tuya-powered wall switch that communicates directly with the lamp using Zigbee wireless protocol. The wall switch can also transmit device data (such as on and off status of the lamp) to our IoT PaaS. IoT PaaS will then communicate to a mobile app used by the homeowner so that he or she can instantly see the current state of the lamp and control it, whether right at home or on a totally different continent.

Smart Device Distribution

We believe the efficient distribution of Tuya-powered smart devices to target audiences benefits our long term competitive edge and sustainability. To this end, we strategically offer select customers, mainly brands and system integrators, who prefer not to deal with multiple OEMs option to purchase directly from us finished smart devices deployed with IoT PaaS sourced from qualified OEMs. These customers typically place purchase orders directly with us by specifying the type of smart devices. We then source devices for these customers from qualified OEMs selected based on the type of products, hardware specifications and other metrics. We earn the difference between the prices at which the products are sourced and sold. Common types of smart devices that we distribute include centralized control panel, gateway, air purifier, floor sweeper, air fryer, gas detector, and door and window sensor.

We also provide customers with the access to Tuya Expo, a dedicated business-to-business (B2B) platform connecting brands globally with an extensive network of OEMs. Tuya Expo is currently offered for free.

For Business Customers Using Smart Devices

Industry SaaS

We offer Industry SaaS, vertical-focused software solutions that enable businesses to deploy, connect, and manage large numbers and different types of smart devices. Just like how billions of people use apps to enjoy mobile technology, we design Industry SaaS as plug-and-play everyday tools for people to interact with and harness the power of IoT. Industry SaaS makes life easier, healthier and more enjoyable, and drives efficiency, cost saving and productivity for businesses of all sizes across industries.

Our Industry SaaS is built to be brand-agnostic and is compatible with Tuya-powered devices across brands and categories. We believe this is the key reason our customers choose us over other IoT SaaS providers, especially those that only support certain brands exclusively, because our brand-agnostic Industry SaaS enables customers to manage their diverse business needs and smart device products across different brands and categories. Industry SaaS customers have the flexibility in sourcing smart devices by themselves, from OEMs recommended by us or via other channels based on their own preferences.

We offer Industry SaaS to select verticals with the potential of monetizing our IoT capabilities. We are also able to deliver the infrastructure and core capabilities of Industry SaaS as a vertical-agnostic solution that they can use to create industry-specific applications and use cases.

Set out below are a few examples of our Industry SaaS and the use cases they enable:

- **Smart commercial lighting SaaS solution** is a cloud-based one-stop solution specifically designed for the commercial lighting use cases to deliver convenience, better experience and energy saving. It includes a set of functions ranging from device control to ergonomic lighting and green building management, as well as maintenance services and onsite trouble-shooting.
- ***Smart commercial lighting*** – gives property owners or managers total control of all their devices and all the data generated via an easy-to-use dashboard and data interface. Through a map of the lighting layout, property owners or managers can view and monitor all devices and maintenance needs through built-in reporting and analytics. This will, in turn, allow them to implement strategies to reduce energy and maintenance costs.
- ***Human centric lighting*** – brings the natural changes of light intensity and color temperature indoors by using artificial light to imitate natural light, which provides optimized work and living environments.

- **Smart community SaaS solution** digitalizes, streamlines and automates every aspect of residential housing and residential community management via IoT. From home automation to elderly care and neighborhood safety, it provides real estate developers and property management companies a unified platform to connect and manage large numbers of smart devices in different indoor and outdoor locations across the community.
- Smart Community SaaS solution provides tools and applications to not only facilitate property maintenance but also make everyday life on the property easier and more convenient for all residents.
- By connecting to a large number of smart devices deployed across the community, property management companies can generate actionable insights from a wide range of utility and property data that they can use to make more informed business decision.
- **Smart hotel/apartment SaaS solution** offers a management solution for hotels and resorts, designed to not only provide convenience for hotel guests, but also drive automation, efficiency and responsiveness for the hospitality industry. For apartments, we also offer a toolkit for landlords and rental apartment operators to connect smart door locks, sockets and other smart devices to increase the value of their properties and make them easier to manage. It is compatible with all mainstream property management systems, or PMS, as well as customers' own systems purpose-built for a wide range of use cases, including campuses, offices and other commercial facilities.
- Our Smart Hotel/Apartment SaaS solution allows the management to monitor different aspects of hotel services, such as housekeeping, guest traffic control, property surveillance and maintenance, from a single control point.
- The hotel experience – guests staying at a hotel utilizing our smart hotel app can personalize their surroundings without having to adjust every individual device. Hotels are also able to save on utilities bills by taking advantage of human activity detection-based lighting and air conditioning in public areas and guest rooms.
- The resident experience – residents can monitor energy and utilities usage, create simple one-click actions to streamline routines or create access credentials for all guests. Apartment managers can monitor apartment maintenance more efficiently through our smart apartment software.

We primarily market our Industry SaaS to system integrators. We also sell directly to individual industry operators, such as hotel or property managers. We mainly target large, established organizations with leading positions in their respective verticals and geographies,

so that we can leverage their industry expertise and existing customer bases to quickly gain market shares and build brand awareness. For a summary of the key terms of our contracts with customers of Industry SaaS, see “– Our Customers.”

For End Users Using Smart Devices

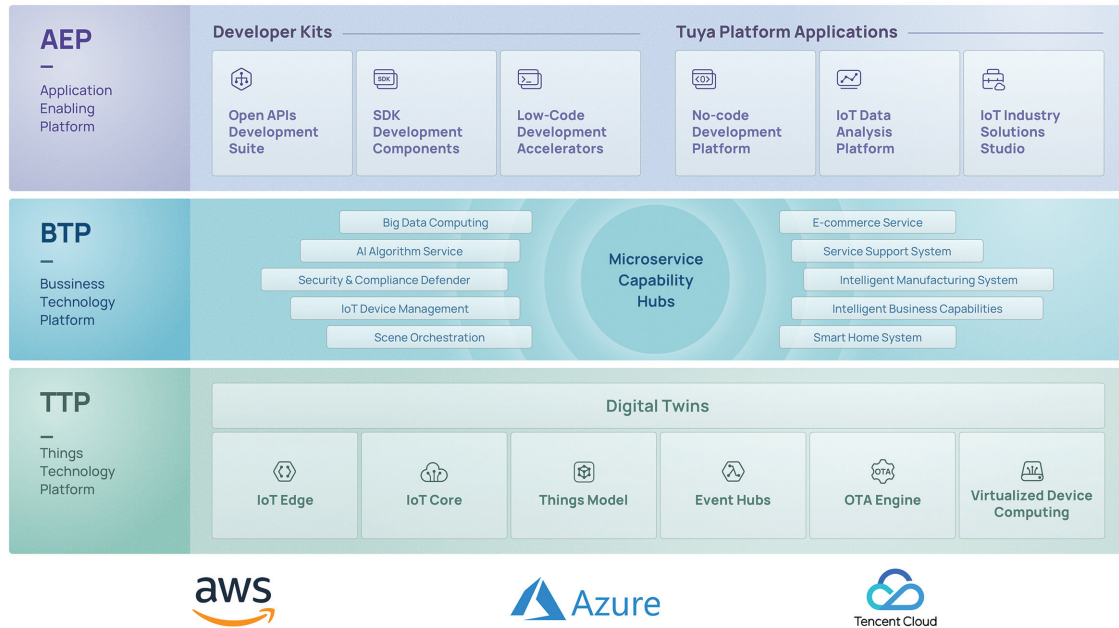
Since inception, we have allowed end users to connect to our IoT cloud platform to access a variety of basic cloud-based services, such as receiving app updates, for free. We also give end users the option to pay a fee to access a curated suite of cloud-based value-added services:

- **Push messaging** – sends users SMS text messages when a specific event (e.g., fire alarm going off) happens;
- **Content** – a library of digital content that enhances users’ IoT experience, such as music, podcasts and even a bedtime story that users can ask their Tuya-powered virtual assistant to tell for their kids;
- **Others** – various other cloud-based value-added services, such as stream media.

As we gain more insights about customer demands through their feedback, we will continue to roll out additional value-added services for end users, aiming to provide an engaging and continuously improved customer experience.

OUR TECHNOLOGIES

Our IoT platform and product offerings are supported by Tuya IoT Cloud infrastructure, our unified underlying infrastructure, as illustrated below.



Our IoT technologies consist mainly of Things Technology Platform (TTP) and Application Enabling Platform (AEP). TTP and AEP together serve as the bedrock of our IoT cloud development platform and product offerings. We also have Business Technology Platform (BTP), which is the competency center that provides the technology foundation to the upper layer of our Tuya IoT Cloud infrastructure. With these technologies, developers can develop, manage, and upgrade smart devices and customize IoT capabilities for their specific user cases. We believe that these technological features enable us to build a growing and dynamic network of developers and partners, and drive our long-term revenue growth.

- Things Technology Platform (TTP)** is the technology that enables real-time, closed-loop data exchanges between the cloud and the physical smart devices throughout their life cycle, thus improving the efficiency of IoT deployment. By integrating all types of data points and functions from hundreds of thousands of consumer smart devices, TTP generates a consistent and standardized “Things Model,” which allows developers to further customize it based on specific use cases. Our platform provides customers with a suite of solutions so they can have all the necessary features in their product development without switching to a different platform. Furthermore, TTP connects, authorizes, authenticates and manages IoT devices, enabling stable and precise connections and interactions across various devices with different functions, attributes, models and manufacturers.

Our TTP consists of the following components:

- IoT Edge features edge computing capabilities that bring computation to the edge. IoT devices can spend less time communicating with the cloud, react more quickly to local changes and operate more securely and reliably;
- IoT Core is the core ability to connect, authorize, authenticate and manage digital twins devices;
- Things Model creates virtual representations of physical smart devices that enable analysis of data and monitoring of systems to prevent downtime, test new devices by using simulations, and troubleshoot problems even before they occur;
- Event Hubs provides a unified streaming platform with time retention buffer, decoupling event producers from event consumers;
- Over-the-air Engine, or OTA Engine, provides unified OTA strategy and data analysis, predicts when devices need upgrades, reduces device OTA risks, and optimizes device usage activities;
- Virtualized Device Computing enhances a smart device's hardware capabilities from the cloud platform by managing device access and scenes control through the edge of the network.

Our TTP offers the following technological features:

- *Erlang-based Architecture.* According to CIC, we offer industry-leading Erlang-based architecture with high stability and utilization rate, delivering a best-in-class capability for large-scale concurrent connection of smart devices. A high connection capacity is critical to ensuring a stable and uninterrupted experience for end users. With the proliferation of smart devices, connection capacity has become one of the key factors affecting the profitability of businesses that use and manage smart devices, because lower connection capacity typically requires additional costs and allocation of server resources. Compared to the commonly used Java-based architecture in the industry, our platform is significantly more stable and resource efficient and can support more device connections with the same server resources allocation than the industry average, according to CIC. For example, with our Erlang-based architecture, our platform can support online connections of approximately 300,000 devices at the same time, which is at the high end of industry range, according to CIC.

- *“Bypass” Architecture.* We are the first to adopt the innovative “bypass” architecture to bring significant improvement in response time, according to CIC. Our “bypass” architecture currently enables an experience with an average of less than 10-milliseconds response time, which exceeds our peers whose average response times that generally range between 20 to 50 milliseconds, according to CIC. The ability to achieve the fastest possible response time is crucial to achieving a seamless IoT experience for end users. Our ability to achieve the fastest possible response time also enables us to meet our customers’ more stringent and customized response sensitivity. A short response time also means better server capacity and stability, which is important to improving resource utilization efficiency and driving the number of Tuya-powered devices while ensuring superior end user experiences.
- *Task Scheduling Engine.* We have pioneered the adoption of a task scheduling engine to handle high volume of scheduling requests, which is a key factor in optimizing user experience for IoT devices. When the number of scheduling requests (for example, turn on the alarm at 8:00 am) is high, a short scheduling time is critical for ensuring accurate control and uninterrupted experience. Our task scheduling engine can support second-level scheduling (within three seconds) with over a hundred thousand scheduling requests per second when the number of requests is at peak level. Our task scheduling engine significantly outperforms others in the industry which typically deviate as long as 10-20 seconds to support each task scheduling with a smaller capacity, according to CIC.
- **Application Enabling Platform (AEP)** provides brands, OEMs and developers with a one-stop shop of IoT cloud capabilities that they can use to add, customize, or integrate functionality in a development environment that is “low-code” or even “no-code”, meaning that those IoT cloud capabilities are ready-to-use by developers so that they do not have to write the codes from scratch. More specifically, AEP enables us to modularize the underlying functionalities and capabilities of its TTP, and visualize such functionalities and capabilities as icons and buttons on the development platform’s operating interface. This allows customers to easily understand, select, drag and drop the desired functionalities for their smart devices in the development process even with little or no programming expertise. Leveraging our AEP, customers may reduce the time for developing devices or functionalities from months to days. In addition, our AEP is also equipped with device testing tools for manufacturing purposes, allowing customers to shorten the production-to-delivery cycle and achieve mass production for the smart devices within weeks. Our AEP delivers significantly greater development efficiency than its major peers, according to CIC.

AEP includes Tuya Platform Applications and Developer Kits that allows us to deliver IoT PaaS, Industry SaaS and other value-added services.

BUSINESS

- *Developer Kits* allow developers to integrate tailored-made IoT capabilities through a variety of APIs, SDKs and low-code development accelerators that allow developers to add, customize, or integrate systems and functionality based on specific requirements and needs.
- *Tuya Platform Applications* combine no-code development platform, IoT data analysis platform and IoT industry solution studio to provide full platform-based business service capabilities.
- **Business Technology Platform (BTP)** is the competency center that provides the technology foundation to the upper layer of our Tuya IoT Cloud infrastructure in the form of modular micro-services. It brings together a suite of service modules, such as big data computing, AI algorithm service and IoT device management, that work together to optimize customer experience.

We have deployed six data centers hosted worldwide, including in China, the United States, Europe and India. We have achieved an average per-command processing time of less than 0.01 second, which is faster than the industry peers, according to CIC.

RESEARCH & DEVELOPMENT

Our leadership is built by our teams who are passionate about IoT. As of December 31, 2021, we had 2,561 research and development employees, representing approximately 73.8% of total employees. Our research and development team primarily consists of technology and platform development engineers responsible for (i) developing and iterating proprietary IoT technologies (e.g. TTP and AEP) and implementing enhancements and upgrades of our IoT cloud development platform; (ii) developing and upgrading our Industry SaaS software solutions; and (iii) optimizing our internal operational systems and technologies. A majority of our research and development team members have approximately 6.1 years of experience across a significant number of different subject areas such as IoT, industry design, cloud computing, AI and machine learning.

Our IoT cloud development platform and proprietary cutting-edge IoT technologies have been developed in-house. We have invested substantially in research and development and we expect to continue to devote significant resources to research and development activities and incur substantial amount of research and development expenses to enhance our competitive edge. In 2019, 2020 and 2021, we incurred US\$52.0 million, US\$77.4 million and US\$174.3 million of research and development expenses, respectively, representing 49.2%, 43.0% and 57.7% of our total revenue, respectively for the same periods. These investments have continued to result in the launch of innovative products that have helped us attract new customers and sell more to our existing customers.

BUSINESS

We generally take the following steps to develop new product features or solutions, making sure that we develop what customers need:

- *Step 1: Demand Analysis.* At the high level, we generally formulate our product development plans by considering three main factors, including (i) any prospective or potential areas where strategies are typically laid out in advance, (ii) existing market demands for which no suitable solutions are available, and (iii) any other strategic areas that generally align with our own business strategies in the long run. We conduct detailed demand analysis based on a variety of factors, including, for example, market prospects, our growth strategies, industry competition, as well as feedbacks from our customers. For one-off feature requests, we may offer customized product development services to customers on a limited basis to address their specific business needs, taking into account whether the features are consistent with our overall R&D direction.
- *Step 2: Product Design.* Our research and development team, including product management team, is generally responsible for designing new solutions and products to address customers' needs.
- *Step 3: Product Development.* During this stage, we complete coding and testing on our internal systems.
- *Step 4: Ongoing Optimization and Iteration.* We make continuous efforts in research and development and technology innovations and continue to optimize and iterate functions and performance based on feedbacks from our internal testing teams and our customers.

BRANDS WE SERVE

Our growth strategies are tailored around the brands we serve and their contracted OEMs. For leading brands and their OEMs in target categories and those with large demands in our products, we are focused on providing bespoke support and services by, for example, offering free trials of product enhancements and new features and functionality. In 2021, our IoT PaaS empowered a total of approximately 4,100 brands to develop smart devices.

BUSINESS

We are proud to serve brands across the globe. The following is a representative sampling of the brands we serve:

Calex	Dorel Juvenile	Flipkart	Goodyear	Haier
Hampton	Heathco	JHC	Henkel	Lenovo
Lloyd's	Lock&Lock	Miniso	Monster	Orange
Panasonic	Philips	Realme	Schneider Electric	Telkcom Indonesia
Sodimac	Softbank	Westinghouse	Wipro	Wonly Group (王力集團)

Substantially all of the brands we serve relate to our IoT PaaS business. We typically do not enter into agreements in relation to IoT PaaS business directly with the brands and instead enter into agreements with their contracted OEMs. In these circumstances, we consider such OEMs to be our customers. In limited circumstances, we also enter into agreements directly with brands in relation to certain value-added services, in which case we also consider such brands to be our customers.

CASE STUDIES

The following case studies illustrate how our customers and brands we serve use and benefit from our products and services. We believe these case studies demonstrate the wide adoption of our products and services across geographies, verticals, and customer sizes.

Goodyear

Goodyear is one of the world's largest tire manufacturing companies with operations around the world. Since the 20th century, Goodyear has begun to diversify its businesses. Miralbueno Products S.L., a Spanish company licensed by Goodyear to develop and sell mechanical products, has expanded its business and started to explore opportunities in categories including smart outdoor products and indoor air quality products.

After conducting a comprehensive evaluation of our products and services, Miralbueno-Goodyear found that we could not only able to empower customers to rapidly develop smart devices but also connect them with OEMs and provide them with one-stop solutions. In a very short period of time, we recommended over ten OEMs to Miralbueno-Goodyear and helped it successfully upgrade its products to smart products, including the launch of the Goodyear scooters. Moreover, we helped Miralbueno-Goodyear rapidly develop and successfully launch various smart devices including smart air purifiers and smart air quality testing devices.

With our rapid product development capabilities, flexible app and interface design, multilingual support and brand-agnostic platform, we quickly and effectively empowered the Goodyear brand and enhanced Miralbueno's strengths in marketing and sales channels to sell its products in different regions including Europe and South America. We intend to continue to partner with Miralbueno-Goodyear to further expand their product offerings, enrich their product ecosystem and improve their ability to better serve the market.

A leading global supermarket chain

Our customer is an international discount supermarket chain that operates over 11,000 stores across Europe and the United States. As the concept of smart living is being embraced by more and more retail chains, our customer wanted to develop its own collection of smart products.

After evaluating multiple other cloud platforms, our customer decided to partner with us in October 2019. Utilizing our brand-agnostic platform and easy-to-use developer toolkits, this customer quickly launched its own smart product line and immediately turned out well with a large collection of more than 40 SKUs, such as LED lamps, motion sensors, and home appliances. These products are compatible with multiple protocols such as ZigBee, Wi-Fi and Bluetooth. Since November 2020, these products are sold in more than 8,000 stores across 19 countries in Europe under our customer's own brand, and we have deployed more than 7 million IoT PaaS for this customer covering over 70 SKUs.

In 2021, our customer leveraged Tuya's technologies to expand its offerings to include more categories and use cases. These include, for example, cleaning appliances such as robotic cleaner and lawn mower; and power and energy products such as power tool accumulator & charger, wireless switches, and thermostatic radiator valves. Our customer is looking to further collaborate with Tuya to develop more small home and kitchen appliances.

We believe that with our strong customer support, rapid development cycle and comprehensive ecosystem, we can help our customer develop more series of smart products and enable more end users to experience the concept of smart living made possible by our IoT cloud platform.

MOMAX

MOMAX is a renowned AIoT and consumer electronics brand, headquartered in Hong Kong, offering a wide range of consumer electronics products sold in the global market.

Through Tuya's IoT cloud development platform, MOMAX has successfully transformed itself into a smart home brand. It has recently launched some best-selling smart devices under the brand name "MOMAX SMART" across an array of categories, such as air purifiers, vacuum robots, and LED desk lamps. By using Tuya's technology, MOMAX has enabled its

users to seamlessly connect smart devices across different categories. This has significantly differentiated MOMAX's products from competing products and allowed MOMAX to attract more partners and sales channels and achieve significant revenue growth.

By leveraging Tuya's IoT platform, MOMAX has also launched a new smart home brand, "Smart D" which offers smart devices featuring popular Disney, Pixar and Marvel characters. "Smart D" products are currently available across various well-known online and offline retailers in Hong Kong. MOMAX also leveraged Tuya's technology and supply chain capabilities to develop smart air purifiers with a program, which deployed across multiple industries successfully, including renowned restaurants and hotels, etc in Hong Kong to combat COVID-19 pandemic situation.

MOMAX is innovative about the potential of the smart home industry. Going forward, MOMAX is looking to expand its collaboration with Tuya to develop a wider range of smart devices, enhance partnerships with sales channels, and deliver a better IoT experience across smart home, smart mobility, and smart environment for end-users in Hong Kong.

China Overseas Properties (中海地產)

China Overseas Properties is a PRC state-owned enterprise engaging in real estate development, city services and business innovation. China Overseas Properties considers technology as a strategic priority with a wholly-owned subsidiary specializing in IoT.

China Overseas Properties was seeking partners to help it build its own smart real estate platform. After a robust evaluation process, China Overseas Properties eventually decided to cooperate with us as it highly appreciated our deep IoT expertise, full-stack technology capabilities, extensive product offerings, and customer-oriented strategies.

China Overseas Properties' partnership with Tuya has not only enabled it to develop comprehensive customized smart home solutions, but also connected it with hardware partners that helped it create a range of smart home systems and applications under its own brand name. Through its partnership with Tuya, China Overseas Properties has been able to upgrade its offerings, reach a broader customer audience, optimize its procurement process to save costs, and enhance its analytics capabilities.

Bilinwei (碧林威)

Bilinwei is a leading company in China's lighting industry, specializing in the development of smart controllers and lighting systems for factories and warehouses.

After evaluating multiple IoT cloud platforms, Bilinwei chose Tuya to help it empower its customers with IoT. The partnership with Tuya has not only allowed Bilinwei to accelerate time-to-market but also significantly reduced its research and development costs by addressing the most common customization needs through a single platform powered by Tuya. As the partnership continues, Bilinwei and Tuya have jointly launched a number of landmark smart

industrial lighting projects. For example, for a renovation project of a maintenance hangar at an international airport, Tuya's technologies enabled Bilinwei to develop a smart control system with electricity consumption reduced by approximately 55% and shorten the renovation period from the typical 14 days to 4.5 days. In another project, by deploying Tuya's smart commercial lighting solutions, Bilinwei helped one of its customers successfully reduce energy consumption by approximately 60% and reduce carbon emissions by approximately 270 tons per year.

We look forward to cooperating further with Bilinwei to help it grow its smart industrial lighting offerings, capitalizing on the trend towards energy conservation and carbon neutrality.

OUR CUSTOMERS

We define our customers as entities from whom we generate revenues for the products and services we provide. We had approximately 8,400 customers in 2021, primarily including brands, OEMs, industry operators and system integrators. For the same period, our IoT PaaS empowered approximately 4,100 brands to develop their smart devices, including leading brands such as Calex, Philips and Schneider Electric, and had an increasing number of Industry SaaS customers. As we have cultivated a large and diversified customer base across different industry verticals, we believe that none of our customers is material to our total revenue. We provide online customer support services and tools for our customers to submit customer complaints and service requests anytime and anywhere.

We use dollar-based net expansion rate for IoT PaaS as a useful indicator of our customers' loyalty and tendency to expand their usage of our platform over time. For the trailing 12-month period ended December 31, 2019, March 31, 2020, June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, September 30, 2021, and December 31, 2021, the dollar-based net expansion rates for IoT PaaS were 188%, 173%, 160%, 179%, 181%, 210%, 211%, 179%, and 153%, respectively. For a detailed discussion of dollar-based net expansion rate for IoT PaaS and certain other key operating metrics, see "Financial Information – Key Operating Metrics."

With respect to our IoT PaaS, we typically do not enter into agreements directly with the brands and instead enter into agreements with their contracted OEMs. In these circumstances, we consider such OEMs to be our customers. During the Track Record Period, substantially all of our IoT PaaS revenue was associated with the agreements between us and such OEMs. Substantially all of these OEMs are located in the PRC while the brands we serve are located and Tuya-powered devices are sold across the globe.

We have a broad base of customers, and we do not believe that we have customer concentration risks. Our single largest customer accounted for 5.2%, 5.6% and 5.5%, of our total revenue, respectively, for the years ended December 31, 2019, 2020 and 2021. Our five largest customers accounted for 17.0%, 20.7%, and 17.2% of our total revenue, respectively, for the years ended December 31, 2019, 2020 and 2021. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, none of our five largest

customers is a connected person of us. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Set forth below is a summary of key terms of the standard agreements between us and our customers:

IoT PaaS

- *Pricing.* We charge our customers fixed fees on a per “deployment” basis based on the particular products/services they purchase. We call a smart device developed using our IoT cloud development platform a “deployment” of IoT PaaS. The fees that we charge IoT PaaS customers are based on the number of deployment of IoT PaaS. For more information about deployment of IoT PaaS, see “Financial Information – Overview – IoT PaaS.” We also offer our customers a membership program that gives them the option to pay a membership fee primarily in exchange for IoT PaaS discounts based on tiered membership status.
- *Payment and credit terms.* Subject to the specific products/services customers select to purchase, customers are typically required to settle our payment in full within the stipulated period prior to delivery of the products/services. Subject to the purchase agreements, we may grant a specified credit terms typically ranging from 30 to 60 days to our customers.
- *Ongoing product support.* We provide reasonable technical support services in accordance with our standard practice to customers.
- *Software updates.* We may in our sole discretion make available updates, enhancements, additions, new versions or releases of the software to customers.
- *Return policy.* We do not have a formal return policy. Subject to the specific products/services customers select to purchase under the purchase agreements, customers are generally not allowed to return our products/services except for products/services with material defects due to our fault.
- *Intellectual property.* We retain all our intellectual property rights with respect to our products/services under the purchase agreements.
- *Confidentiality.* Each party to the purchase agreements shall treat all confidential made known to it by the other party in the strictest confidence during and after the contract terms.

BUSINESS

- *Term and termination.* The agreement relating to IoT PaaS typically does not have fixed term. The agreement will be terminated upon the fulfillment of our obligations or as mutually agreed upon by both parties.

Industry SaaS

- *Pricing.* We charge our customers services fees based on the types and complexity of the services they purchase.
- *Payment and credit terms.* Subject to the specific services customers select to purchase, customers are typically required to settle the payment consisting of the basic annual subscription fee and maintenance fee in full promptly upon entering the service agreement. In addition, an incremental fee annually for additional user accounts added to the customers' network will be charged to the customers. Subject to the service agreements, we generally do not grant credit term to our customers.
- *Return policy.* We do not have a formal return policy. Subject to the specific products/services customers select to purchase under the purchase agreements, customers are generally not allowed to return our products/services except for products/services with material defects due to our fault.
- *Intellectual Property.* We retain all our intellectual property rights with respect to our services under the service agreements.
- *Confidentiality.* Each party to the service agreements shall treat all confidential information made known to it by the other party in the strictest confidence during and after the contract terms.
- *Term and Termination.* The agreement has a term ranging from one year to three years. The agreement can also be terminated as mutually agreed upon by both parties.

Smart Device Distribution

- *Pricing.* The fees that we charge to customers are calculated based on the types and amount of the smart devices they purchase.
- *Payment.* Customers are typically required to make prepayments in full within a specified timeframe upon signing of the agreement.
- *Delivery.* We are responsible for arranging delivery and shall bear the risk until the shipment has been inspected and accepted by our customers. Customers are required to check the quantity and condition of the shipments within a prescribed period of time (typically three days) upon arrival of the delivery.

BUSINESS

- *Quality assurance.* We represent in the agreement that the smart devices meet the technical and quality standards as agreed between the parties and under applicable laws and regulations.
- *Confidentiality.* Each party to the purchase agreement shall treat all information made known to it by the other party in the strictest confidence during and after the contract term.
- *Termination.* The agreement will be terminated upon the acceptance of shipments by our customers.

OUR SUPPLIERS

Our suppliers primarily include (i) suppliers of the chips to be integrated within modules; (ii) contracted manufacturers who assemble the modules in which edge capabilities of IoT PaaS are embedded; and (iii) public cloud services providers. Our single largest supplier accounted for 29.2%, 13.0% and 25.3%, of our total purchases, respectively, for the years ended December 31, 2019, 2020 and 2021. Our five largest suppliers in the aggregate accounted for 41.8%, 41.6%, and 42.7% of our total purchases, respectively, for the years ended December 31, 2019, 2020 and 2021. A substantial majority of our suppliers are located in the PRC.

BUSINESS

The following table sets forth the details of our five largest suppliers for the year ended December 31, 2019.

<u>Supplier</u>	<u>Background</u>	<u>Type of products/ services purchased</u>	<u>Year of commencement of business relationship</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of our total purchase</u>
Supplier A	An integrated circuit designer in the PRC	IoT chip	2015	240,287	29.2%
Supplier B	An integrated circuit designer in the PRC	IoT chip	2017	29,177	3.5%
Supplier C	Managed service provider of one of the global leading cloud service provider	Cloud service	2018	26,323	3.2%
Supplier D	A processing manufacturer in the PRC	IoT module processing	2015	24,783	3.0%
Supplier E	An electronic components provider in the PRC	Sensor and memory	2018	22,985	2.8%
Total				343,554	41.8%

BUSINESS

The following table sets forth the details of our five largest suppliers for the year ended December 31, 2020.

<u>Supplier</u>	<u>Background</u>	<u>Type of products/ services purchased</u>	<u>Year of commencement of business relationship</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of our total purchase</u>
Supplier F	An integrated circuit designer in the PRC	IoT chip	2018	157,223	13.0%
Supplier A	An integrated circuit designer in the PRC	IoT chip	2015	116,422	9.6%
Supplier G	An integrated circuit designer in the PRC	IoT chip	2018	98,057	8.1%
Shenzhen Sekorm Advanced Technologies Co., Ltd.	An electronic component provider in the PRC	Crystal and chip	2019	75,590	6.2%
Supplier I	A comprehensive manufacturer in the PRC	Module manufacturing and finished smart product	2018	56,789	4.7%
Total				504,081	41.6%

BUSINESS

The following table sets forth the details of our five largest suppliers for the year ended December 31, 2021.

<u>Supplier</u>	<u>Background</u>	<u>Type of products/ services purchased</u>	<u>Year of commencement of business relationship</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of our total purchase</u>
Supplier F	An integrated circuit designer in the PRC	IoT chip	2018	436,561	25.3%
Supplier G	An integrated circuit designer in the PRC	IoT chip	2018	87,460	5.1%
Shenzhen Sekorm Advanced Technologies Co., Ltd.	An electronic component provider in the PRC	Crystal and chip	2019	81,605	4.7%
Supplier A	An integrated circuit designer in the PRC	IoT chip	2015	74,822	4.3%
Supplier J	An electronic component provider in the PRC	Sensor	2017	55,671	3.2%
Total				736,120	42.7%

We typically enter into framework agreements with chip suppliers and module manufacturers. Each framework agreement sets forth the general terms and conditions of cooperation, pursuant to which we make separate manufacturing we are typically granted a credit term of 30 to 60 days after receipt of each invoice. Module manufacturers must meet our stipulated quality requirements and are responsible for liabilities caused by product defects. We enter into separate confidentiality agreements with chip suppliers or contracted module manufacturers for protection of our trade secrets and intellectual property rights.

During the Track Record Period, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

BUSINESS

One of our top five customers for the year ended December 31, 2020 was also among our top five suppliers for the same period. Sales to this company accounted for 4.6% of our total revenue, and our cost of purchases attributable to this company accounted for 4.7% of our total cost of purchases for the year ended December 31, 2020. During the Track Record Period, sales to this company consisted of IoT PaaS, and purchases from this company primarily consisted of finished smart devices associated with our smart device distribution business and manufacturing of modules associated with our IoT PaaS. Negotiations of the terms of sales to this company and purchases from it were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our Directors are of the view that such arrangements are mutually beneficial, given that we negotiated with this company on an arm's length basis. In addition, the terms of transactions with this company are in line with market practice and similar to those with our other customers and suppliers.

Since early 2021, there has been continued global supply chain disruptions, and the supply of chips that are essential components of IoT modules has been subject to a global shortage. During the Track Record Period, a substantial portion of the costs of revenue of IoT PaaS relates to the more costly hardware, such as chips for IoT PaaS business. In 2021, we had more upfront payment for our purchases to reserve supplier capacities due to the global chip shortage. As a result, the accounts payable turnover days has decreased from 55 days in 2020 to 37 days in 2021. Additionally, chips for our IoT PaaS business are major components of our inventories. Since late 2020, amid the foreseen global shortage of chips, we have been strategically increasing our inventories to minimize lead time, ensure timely delivery to our customers, and meet our future business needs. As a result, our inventories turnover days increased from 83 days in 2019 to 103 days in 2020, and further increased to 114 days in 2021.

During the Track Record Period, substantially all of our chip suppliers are located in the PRC. We believe the global chip shortage has not had a material adverse impact on our business operations, and we have not experienced any major difficulties in sourcing raw materials. The impact of the chip shortage varies widely across industries, depending on how sophisticated the chips utilized are. Typically, the more sophisticated the chips are, the more likely they run into shortage. Many of the Tuya-powered devices are consumer-level devices used at home or for commercial use. As a result, the requirements in terms of reliability, lifetime and performance for these chips are relatively less stringent than the more sophisticated, high-performance chips used in the automobile, industrial and other verticals. Therefore, as compared to companies in those verticals, we are generally less susceptible to chip shortages and it is relatively easier and less expensive for us to secure alternate or substitute supplies. However, there is no assurance that we will be able to continue to secure adequate chip supply at commercially reasonable cost for our operations. If we fail to secure sufficient chip supply, we may have to secure alternative suppliers or find alternative supplies or technologies, which could be costly, time consuming, and may not be successful. To the extent the chip shortage deteriorates or becomes longer-term in nature, we may experience significant delays in our delivery to customers and our business operations and prospects may be negatively impacted. See "Risk Factors – Risks Related to Our Business and Industry – Our use of third-party suppliers involves certain risks that may

result in, among others, increased costs, disruption of supply or shortage of raw materials, quality or compliance issues, or failure by our suppliers to timely manufacture the modules and finished smart devices, any of which could materially harm our business.”

We believe our ability to mitigate chip shortage is primarily attributable to our market leadership and strong supply chain management capabilities. We have created a large and interconnected IoT ecosystem of brands, OEMs, partners, and the end-users. We are the nexus of this ecosystem, making us a partner of choice for many players from both the upstream (e.g. IoT chip suppliers) and downstream (e.g. brands and OEMs) looking to expand their footprints along the value chain. This also gives us substantial advantages in negotiating for more favorable pricing and payment terms, collaborating with suppliers on cost reductions through technology, and sourcing alternative suppliers.

We believe the following factors also help us mitigate the impact of chip shortage:

- ***Diverse supply chain with no reliance on single-source suppliers.*** We have a diverse supply chain and procures substantially all of our raw materials from multiple-source suppliers. While we have historically utilized one single-source suppliers due to the proprietary nature of certain chips, the chips procured from such supplier were used for a very limited number of devices and categories, accounting for less than 0.1% of our total deployment of IoT PaaS in 2021. As of December 31, 2021, we have a list of approximately 50 chips suppliers in the PRC and globally to cater our business needs.
- ***Strong direct relationships with suppliers.*** Leveraging our market leadership, we have maintained strong direct relationships with our major raw material suppliers, including many leading and renowned semiconductors companies. We seek to enter into long-term procurement framework agreements with our chip suppliers. Currently, the term of the framework agreements between us and our chip suppliers are typically two years which may be extended if agreed by both parties, and many of these agreements contain price adjustment mechanism that protects us from unfavorable chip price changes. We also proactively seek to enter into capacity commitments and pricing agreements, particularly in periods with limited availability of production capacity.
- ***Proactive stocking strategies.*** We have strategically begun to build our inventories of chips even before the global chip shortage started to emerge in early 2021. These efforts have helped us ensure timely delivery to customers and sufficient availability for future growth, as well as mitigate impact of potential additional disruptions.
- ***Close collaborations with suppliers and the chipset replacement solution.*** We have been working closely with suppliers to develop new or upgrade existing chip solutions to make them more diversified and cost-efficient to deploy on smart devices. These efforts have allowed our customers to make their devices less expensive to produce, or less dependent on those types of chips that are in shortage.

We are also collaborating with IoT module foundries to further upgrade their manufacturing processes to hedge against increasing chip prices. As part of these efforts, we have recently introduced chipset replacement solution based on redesigned IoT edge capabilities. This solution helps customers replace advanced chips that have been in short supply with more readily available chips. As a result, our customers are able to reduce the number of chips required for each smart device and mitigate the impact of chip shortage, without sacrificing functionality and performances. Currently, our home appliance categories are eligible for the chipset replacement solution. We are in the process of making more categories and customers eligible for the solution.

- ***Dedicated supply chain management team.*** We have a large sourcing and supply chain management team. This team is dedicated to ensuring our adequate raw materials supply and working closely with customers, suppliers and partners to strengthen the overall resilience and sustainability of our supply chain. As of the date of this prospectus, this team consisted of 36 employees. Our supply chain management team is charged with various critical responsibilities including, seeking additional or alternate suppliers or developing our own replacements; renegotiating terms with suppliers; monitoring suppliers' performances; closely monitoring inventory levels and purchases against forecasted demand; designing procurement strategies and contingency plans for potential shortages; among other things.

QUALITY CONTROL

We are committed to providing customers with our products and services of consistently high quality. We emphasize quality control in all aspects of our business including for example design, research, production, sales and after-sales services. We strictly control the quality of our business and operations. In order to monitor the quality and ensure that our products and services meet all our internal benchmarks and specifications, we have implemented various quality-control checks into our business process. In addition, we provide after-sales services and support to our customers.

We have devoted significant resources to the quality control of our products and services. Our quality control is a cross-departmental responsibility shared by multiple teams across business functions including supply chain management, quality assurance, safety and compliance, and after-sales and customer service. In particular, these teams are responsible for establishing quality control standards, procedures for inspection of our raw materials and products and review standards of our suppliers. They are also responsible for handling customer complaints and compliance of applicable laws and international and national standards.

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We have incurred operating losses, net losses, adjusted loss (non-GAAP financial measure) and net operating cash outflow throughout the Track Record Period, largely due to our investment in R&D capabilities as we continued to expand our research and development team. As a first mover of IoT cloud development, we have been focused on expanding our IoT cloud development platform, growing our customer base and fostering our developer community, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for the long-term growth with our products and services. Hence, during the Track Record Period, we continued to invest in our research and development capabilities, which is key to optimizing and broadening our offerings for existing customers and attracting new customers. We have also increased our sales and marketing efforts to promote brand awareness, some of which have yielded immediate effects on revenue while others will provide long-term benefits to the overall development of our business over time.

According to CIC, IoT technology is fundamentally changing people's way of life through millions of applications for a broad range of use cases. The number of IoT PaaS deployment will continue to grow rapidly in the future, given the relatively low penetration rate of IoT PaaS in many industries nowadays. The total addressable market size for global IoT PaaS is expected to grow from US\$94.6 billion in 2021 to US\$194.8 billion in 2026, representing a CAGR of 15.5% from 2021 to 2026. Specifically, the total addressable market size of global IoT PaaS for smart home and smart business, is expected to grow at a CAGR of 11.0% between 2021 and 2026. For the same period, the total addressable market size of global IoT PaaS for smart industries is expected to grow at a CAGR of 17.9%. In addition, business operators are increasingly adopting IoT SaaS solutions to optimize cost and improve operating efficiency, while focusing on their core competencies. According to CIC, the total addressable market size for global IoT SaaS in 2021 was US\$156.4 billion and is expected to grow at a CAGR of 11.3% from 2021 to 2026 to reach US\$267.1 billion. To capitalize on these opportunities, we have made strategic decisions to invest in product development, research and development capabilities, and sales and marketing efforts. As a result, our operating expenses increased in absolute amounts during the Track Record Period.

Since our inception in 2014, our business has scaled rapidly in recent years. Our IoT PaaS enabled businesses to develop smart devices in more than 2,200 categories as of December 31, 2021. In 2020 and 2021, our IoT PaaS empowered approximately 2,700 and 4,100 brands and we had approximately 3,300 and 5,500 IoT PaaS customers, respectively. According to CIC, we have grown into the largest IoT PaaS business in the global market of IoT PaaS as a subset of the broader IoT industry in terms of volume of smart devices powered in 2021, which has grown from 60.1 million in 2019 to 116.5 million in 2020, and further to 184.0 million in 2021.

In 2021, our revenue was US\$302.1 million, representing an increase of 67.9% from 2020. In 2020, our revenue grew to US\$179.9 million, representing an increase of 70.0% from 2019. Our gross profit for 2019 increased by 122.9% from US\$27.8 million to US\$61.9 million for 2020, and further increased by 106.4% to US\$127.9 million for 2021. Our overall gross margin has been on an increasing trend, being 26.3%, 34.4% and 42.3% for 2019, 2020 and

2021, respectively. We recorded net losses of US\$70.5 million, US\$66.9 million and US\$175.4 million in 2019, 2020 and 2021, respectively. As of December 31, 2021, we had US\$1,066.1 million in cash and cash equivalents and short-term investments. Also, we have maintained a net current asset position throughout the Track Record Period.

Going forward, we plan to achieve profitability primarily by further (i) growing customer base and engagement, (ii) improving gross profit margin, and (iii) enhancing operating leverage. This will allow us to increase our revenue and manage our cost and expenses, in order to reach and maintain profitability and positive operating cash flows. However, due to the fast-evolving business environment, we are not able to predict when we will be able to start generating positive cash flow and become profitable.

Growing customer base and engagement

We believe that expanding our customer base and increasing customer and end user engagement is essential to our business development and long-term profitability. To implement this strategy, we plan to strengthen our relationship with existing customers and attract new customers, in particular new premium customers. As such, we aim to continue to broaden our product and service offerings, including especially SaaS offerings, and expand into diversified verticals, catering to the dynamic needs of both our existing and new customers. More specifically:

- *Actively identify market needs and customer pain points.* We are actively identifying and exploring unmet customer needs through various online and offline channels, including reputable industry conferences, such as Consumer Electronics Show (CES) and Mobile World Congress (MWC), in-house research, insights from existing customers, in various industries. We are looking to organize or participate in over 100 exhibitions and trade fairs, over 90 industry conferences and over 30 events for IoT developers, over the next five years. We aim to integrate and to extend those diversified demands into our IoT cloud development platform to enable us to innovate and optimize our product and service offerings.
- *Grow with our customer.* We grow with our customers. Leveraging our technologies, we are able to provide our customers with tailored products and services, at different stage of their developments, which further strengthen our relationship with such customers and effectively increase average revenue from customers. For example, we cooperated with a leading global supermarket chain in 2019 to help them launch their own smart product line, and further in 2021, helped them successfully expand offerings to more categories and use cases as they develop and sell more Tuya-powered smart devices. For the trailing 12-month period ended December 31, 2021, our dollar-based net expansion rate was approximately 153%, demonstrating our strong ability to continue to expand customers' usage of its IoT cloud development platform over time and to grow revenue generated from existing customers. We plan to continue to deepen our cooperation with existing customers to build a long-term relationship.

- *Expand into more diversified verticals.* Before 2019, we primarily focused on the consumer lighting and consumer electronics industry for a wide range of applications, and have continued to penetrate into diversified industries and gradually expanded our coverage to home and kitchen appliances in 2019 and 2020. In 2021, we started our coverage in more fields, such as outdoor, energy-saving, and other blue-tooth digital products. We plan to further deepen our penetration in diversified industry verticals. For example, we intend to offer IoT PaaS and Industry SaaS solutions for leisure use cases like hotels and apartments, commercial lighting and smart office buildings.
- *Continuously offer the right and new products and services.* Leveraging on our thorough understanding of market demands and our close collaboration with OEMs that have strong execution capabilities, we have been able to design and deliver solutions catering to the genuine needs of the brands we serve and their end users, leading to further growth and improved efficiency of our customers and better experiences for the end users. We have witnessed continuous growth in the SKUs supported by our IoT PaaS, from approximately 252,000 in 2020 to approximately 589,000 in 2021, and our SDKs from approximately 13,500 in 2020 to approximately 31,900 in 2021. We plan to continue to offer the right and new products and services to our customers. For example, we have recently launched Tuya Cube, enabling developers to build private IoT platforms on enterprise cloud to best suit their needs. In addition, we recently began to support “Matter,” a communication standard which, together with other communication protocols we support, enable us to provide a more integrated smart home standard to allow interoperability between devices and smart home platforms to ensure a more convenient smart home experience for users.

We expect to continue to improve our research and development capabilities to solidify our technology leadership, including the upgrade and iteration of IoT smart algorithm in various sectors, so as to provide customers with better products and experience. For example, in terms of our Industry SaaS offerings, we have unveiled the upgraded smart hotel solutions in 2021, expanding the scope of services from managing hotel rooms to managing the crowd and traffic in surrounding areas, improving operating efficiency for hotel managers. We also plan to enhance our customer engagement through our dedicated membership program. See “– Our Growth Strategies” for more details.

We successfully grew our total number of customers from approximately 3,300 in 2019, to approximately 5,000 in 2020, and further to approximately 8,400 in 2021. In terms of IoT PaaS business, we have demonstrated our strong capability to grow the number of our IoT PaaS customers, which increased from approximately 2,300 in 2019 to approximately 3,300 in 2020, and further to approximately 5,500 in 2021. We enhance customer engagement by helping our customers succeed and customers with initial success tend to expand our services to more product families to maximize the benefits of our platform. Our premium IoT PaaS customers grew from 127 in 2019 to 188 in 2020 and further to 311 in 2021. During the Track Record Period, our premium IoT PaaS customers contributed over 80% of our revenues generated from

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IoT PaaS. We also strive to develop and maintain customer loyalty through our dedicated membership program. The number of our IoT PaaS deployments also increased during the Track Record Period, which further contributed to our revenue growth.

The following tables set forth certain key operating metrics to demonstrate our ability to grow our customer base:

For the year ended December 31,					
	2019	2020	2021	% Growth (2019 to 2020)	% of Growth (2020 to 2021)
Total number of customers	3,284	5,013	8,449	52.6	68.5

For the trailing 12-month period ended December 31,					
	2019	2020	2021	% Growth (2019 to 2020)	% of Growth (2020 to 2021)
Number of premium IoT PaaS customers	127	188	311	48.0	65.4

The tables below set forth average revenue per IoT PaaS customer for the periods indicated. As indicated in the table, we have been able to continue to grow this metric throughout the Track Record Period, demonstrating our customers' increasing adoption of and willingness to pay for our IoT PaaS.

For the Year Ended December 31,			
	2019	2020	2021
IoT PaaS revenue (US\$ in thousands)	76,365	151,677	261,360
Number of IoT PaaS customers	2,328	3,296	5,527
Average revenue per IoT PaaS customer (US\$ in thousands)	32.8	46.0	47.3

See "Financial Information – Key Operating Metrics" for more information about how we calculate the number of premium IoT PaaS customers and deployment of IoT PaaS.

We also plan to continuously leverage our thriving ecosystem with network effects to attract more brands to join our platform and to promote our brand awareness and word-of-mouth referrals. This will enable us to increase our revenue scale through a growing customer base with increased engagement in a cost-effective manner.

Improving gross profit margin

Our gross profit margin improved from 26.3% in 2019 to 34.4% in 2020 and further to 42.3% in 2021, primarily due to:

- Margin expansion in IoT PaaS due to (i) our increased economies of scale and cost savings as our business continued to grow, (ii) improved efficiency relating to IoT PaaS deployment achieved through effective R&D, and (iii) the expansion of our product mix to include more device categories that have relatively high profit margins. For example, as we continue to invest in joint R&D efforts with chip designers to design and upgrade IoT related chip solutions, we have developed the capability of reducing redundant procedures and materials and the flexibility of precise selection of chips for designated functionalities with enhanced cost-effectiveness, which helps reduce variable costs, including raw material costs, while ensuring the same level of device performance and user experience. For instance, across many of our consumer lighting and electronics offerings, we have successfully implemented solutions with smaller chips, less number of electronic components through technology upgrade, and improved module design with less raw material requirement. The gross profit margin of our IoT PaaS increased from 28.7% in 2019 to 35.9% in 2020, and further to 42.4% in 2021.
- Optimization in revenue structure with increasing contribution from SaaS and others, which recorded a relatively high gross profit margin of over 70% during the Track Record Period. During such period, our SaaS and others segment has grown at a faster rate than our IoT PaaS, due to our ability to offer sophisticated Industry SaaS products and functional value-added services, as well as our success strategy to cooperate with industry leaders or key players to develop comprehensive solutions that solve major pain points of the industry, which in turn enables us to quickly replicate such solutions for other industry players. For example, in real estate and community industry, we started from establishing cooperation with several leading real estate developers through our Industry SaaS offering to digitalize, streamline and automate their residential housing and residential community management via IoT devices and software. Our initial successful track record of cooperating with these real estate developers have allowed us to attract and establish similar cooperation with other regional real estate developers and have become their partner of choice when they launch new real estate projects or expand existing projects. We also intend to continue to upgrade Industry SaaS to make it more flexible, easy-to-deploy and easily configurable for additional promising verticals and use cases. For example, as part of our initiatives to venture into the smart industry space, we are developing an Industry SaaS solution specifically for small- to medium-sized manufacturing companies by leveraging our extensive existing expertise in smart home and business. These new Industry SaaS solutions are designed to digitalize and streamline manufacturing companies' daily operations through IoT technologies and connected devices. We believe these efforts will help us organically grow our customer base and increase their adoption of our Industry

SaaS solutions. For more information, see “Future Plans and Use of Proceeds.” During the Track Record Period, the number of our SaaS and others customers increased from approximately 480 in 2019 to approximately 1,500 in 2020, and further to approximately 2,800 in 2021, and the revenue contribution from SaaS and others increased from 1.8% in 2019 to 3.4% in 2020 and further to 6.2% in 2021.

We expect to continue to improve our gross profit margin in the future as we continue to improve gross margin of our IoT PaaS business and to expand our Industry SaaS offerings with relatively higher gross margin.

Enhancing operating leverage

Our research and development expenses accounted for 49.2%, 43.0% and 57.7% of our total revenue in 2019, 2020 and 2021, respectively. In 2021, our research and development expenses increased in absolute amount and as a percentage of total revenue as we expanded the talent pool of our research and development team to fuel our long-term growth of our business. We expect to continue to devote significant resources to research and development activities, including (i) expenditure incurred to maintain a R&D team, including by providing competitive compensation, benefits and incentives to attract and retain R&D talents; (ii) continuous investment in research and innovation, particularly in our core capabilities such as IoT core, edge computing, and IoT algorithms; and (iii) development of additional features and functionalities for our PaaS and SaaS offerings. In light of the market outlook in the first half of 2021, we strategically expanded our R&D talent pool to expand into selected new categories, develop Industry SaaS solutions for new verticals, and invest to further strengthen our developer platform. We believe these investments would will help us solidify our long-term market leadership, although they might not generate immediate revenue or profit growth due to the emerging nature of these categories and verticals. We will continue to evaluate the associated expenses and expected revenue and profit returns of these investments dynamically based on macroeconomic conditions, industry changes and our own growth strategies and will timely make adjustments as needed accordingly to drive our long-term growth and profitability.

Looking forward in the near future, we expect to maintain a R&D team of a size appropriate for our scale and long-term business growth. We also intend to continue to offer competitive compensation and benefits to attract and retain talents. As a result, we expect to continue to incur substantial research and development expenses in the foreseeable future. Meanwhile, we plan to continue to improve our R&D efficiency to strike an optimal balance between short-term financial performance and long-term business prospects and profitability.

As we conduct regular management review according to the market condition to ensure efficient and effective operation, we believe there is significant headroom for us to further improve our operating efficiency through the following measures:

- (i) We have conducted and will continue to conduct profound review of product portfolio to focus our R&D efforts on core products with meaningful financial impact and/or higher returns than those emerging, less profitable product categories, so as to improve operating efficiency;
- (ii) We have conducted and will continue to conduct comprehensive review of our operations, including R&D, sales and marketing and client support processes, to streamline our business processes with a focus on core procedures to increase efficiency and cost-effectiveness. For example, we have invested in and implemented AI technologies (i.e., AI-driven interactive chatbot) to streamline the process of efficient development of solutions per customers' requests which can also be applied to a wider range of customers and use cases, improving product development efficiency and allowing R&D as well as sales and marketing team to support a continuously growing customer base; and
- (iii) We have strategically prioritized the acquisition, management and retention of premium customers, hence improving our marketing efficiency.

With the efficiency enhancement measures mentioned above, we expect that, as our business continues to grow, our research and development expenses as a percentage of total revenue will decline over time in the long term, as we expect that the associated headcounts and compensation will not grow as fast as they did before 2021 and will not grow at the same rate as revenue.

Our sales and marketing expenses accounted for 35.0%, 20.9% and 25.0% of our total revenue in 2019, 2020 and 2021, respectively. In 2021, our sales and marketing expenses increased in absolute amount and as a percentage of total revenue as we continued to invest in our developer community through active sponsorship of developer groups, developer conference and other community-centric events as well as to expand our foreseeable sales and marketing team for business growth in the long run. For example, we have participated in reputable industry conferences such as Consumer Electronics Show (CES) and Mobile World Congress (MWC) and held developer events, such as the bluetooth developer event and global hard tech developer event, among others. These conferences and events helped us better demonstrate our latest products and services offerings, as well as research innovations, which helps us attract more developers and customers to our platform, solidifying our market leadership in the IoT cloud development platform space. During the Track Record Period, the number of our IoT PaaS customers experienced a rapid growth, increasing from approximately 2,300 in 2019 to approximately 3,300 in 2020, and further to approximately 5,500 in 2021. In 2021, our IoT PaaS empowered approximately 4,100 brands to develop their smart devices, including leading brands such as Calex, Philips and Schneider Electric, and had an increasing number of Industry SaaS customers. Furthermore, we have attracted a large and active community of over 510,000 registered IoT device and software developers as of December 31, 2021. We have achieved high sales and marketing efficiency in the past intend to continuously evaluate and actively monitor our sales and marketing efforts to further improve the efficiency of our sales and marketing efforts and grow our customer base more cost-effectively. As we

continue to invest in acquiring and retaining customers as well as to enhance our brand awareness among the end users by promoting the “Powered by Tuya” concept, we expect to effectively manage our sales and marketing expenses. While we expect to continue to incur substantial sales and marketing expenses in absolute amount in the near future alongside our continued business growth, we believe such expenses will not grow as fast as revenue and will decrease as a percentage of our total revenue over time in the long term due to the greater economies of scale and improved sales and marketing efficiency.

Our general and administrative expenses accounted for 11.5%, 9.9% and 23.7% of our total revenue in 2019, 2020 and 2021, respectively. Our general and administrative expenses as a percentage of total revenue remained relatively stable in 2019 and 2020, and increased due to a relatively higher rise in share-based compensation in 2021. While we expect to continue to incur substantial general and administrative expenses in the foreseeable future alongside our business growth, we expect that such expenses as a percentage of total revenue will decrease over time in the long term due to the greater economies of scale and improved operational efficiency.

Improving operating cash flow position

We believe that we possess sufficient working capital, including sufficient cash and liquidity assets, to meet our present requirements and for the next 12 months from the date of this prospectus. As of December 31, 2021, we had cash and cash equivalent (including restricted cash) of US\$964.6 million, which is estimated to be sufficient to cover our net operating cash flows in the near term. In the future, we expect our net operating cash outflow to improve concurrently with our improved profitability, by taking advantage of (i) our continuous revenue growth fueled by our growing customer base and enhanced customer engagement; (ii) our improved gross profit margin due to IoT PaaS margin expansion and the optimization of our revenue structure; (iii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iv) our working capital improvement strategies. To improve and refine our management of working capital, we will continue to leverage our industry leading position to negotiate for more favourable contractual terms with our customers and suppliers. We also expect our inventory turnover and liquidity to improve over time as the macro environment is expected to gradually recover from impacts of unfavorable market conditions brought by the global supply chain disruptions, COVID-19 pandemic and the Russia-Ukraine conflict, among other things. We believe that the Global Offering and other potential external financing sources will provide additional funding to our operation during the time until we achieve profitability and positive net operating cash flow.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking

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statements. For related risks, see “Risk Factors – Risks Related to Our Business and Industry – Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future.”

INVENTORY MANAGEMENT

Our inventories consist mainly of (i) modules and chips relating to our IoT PaaS business; and (ii) finished smart devices purchased from manufacturers as part of our smart device distribution business. Goods that have satisfactorily passed quality inspections are delivered from our suppliers to us and stored at our self-operated warehouse. The IoT chips will then be delivered to our contracted manufacturers for assembling into the modules where edge capabilities of IoT PaaS will be embedded. The modules and finished smart devices will be delivered to customers as per agreed delivery schedules and destinations.

We have a strict inventory control policy to monitor our inventory levels and minimize obsolete inventory, through which we are able to increase our inventories at a relatively steady pace based on our inventory planning strategies, thus, lower our inventory risk. We also seek to manage inventory risks by soliciting firm commitments from our customers. We continue to monitor market conditions, global supply chain activities and raw material prices and dynamically optimize our inventory accordingly, to protect ourselves against risks arising from potential supply shortage and fluctuations in raw material prices.

SALES, MARKETING AND BRANDING

We generate sales primarily through our direct marketing efforts targeting brands and OEMs, with a focus on attracting new customers as well as expanding usage within our existing customer base. We offer a membership program to our customers that gives them the option to pay a membership fee primarily in exchange for IoT PaaS discounts based on a tiered membership status in accordance with their expected deployment volume. The membership program allows us to foster long-term relationship with our customers. We also generate customer leads indirectly through offline retail channels and e-commerce platforms. We currently operate dedicated regional sales forces covering a number of our key overseas markets, such as the U.S., India, Japan and Germany. We also market our products and services through media, word-of-mouth, advertising, and promotion to further enhance awareness of our brand as well as to increase our brand exposure across various customer bases.

As we expand our footprint globally, we have invested substantially in developing localized marketing strategies and employing sales and support staff. In particular, we focus on educating customers about the “Powered by Tuya” smart ecosystem. We raise customers’ awareness that any smart device labeled with the “Powered by Tuya” tag can interact with each other regardless of brands and product categories.

We utilize a multitude of sales and marketing channels, including:

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- online marketing channels such as search engine optimization, private domain operations and the online developer platform on our website;
- offline channels such as word-of-mouth referrals from brands owners, OEMs, retailers and other industry participants;
- brand marketing through industry conferences and events, including Mobile World Congress, International Consumer Electronics Show, and Hong Kong Electronics Fair where we demonstrate how we empower developers to push the boundary of IoT; and
- developer outreach via code sharing platforms and Q&A websites such as GitHub and Zhihu.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trade secret and trademark laws as well as contractual restrictions such as confidentiality agreements, licenses and intellectual property assignment agreements. We also maintain a policy requiring our employees, contractors, consultants and other third parties to enter into confidentiality and proprietary rights agreements to control access to our proprietary information. As of the Latest Practicable Date, we had registered 317 patents, 606 trademarks, 127 copyrights, and 118 domain names in China and overseas. We have registered “Tuya” and “Powered by Tuya” as trademarks.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our technology. Monitoring unauthorized use of our technology is difficult and costly, and we cannot be certain that the steps we have taken will prevent misappropriation of our technology. 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, third parties may initiate lawsuits against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. In the event of a successful claim of infringement and our failure or inability to develop non-infringing technology or license the infringed or similar technology on a timely basis, our business could be harmed. Even if we are able to license the infringed or similar technology, license fees could be substantial and may adversely affect our results of operations. See “Risk Factors – Risks Related to Our Business and Industry – We may be involved in legal proceedings, litigations and disputes relating to alleged infringement of intellectual property rights, which could adversely affect our business, operating results and financial condition.”

DATA SECURITY AND PRIVACY

When providing our products and services, we may have access to certain data of our customers and the end users, primarily certain machine-generated data produced by the smart devices powered by us. Such data consists primarily of the following types of device- and app-level information: (1) data collected when a user registers in the mobile app that connects

and controls smart devices powered by Tuya (the “App”), such as basic account information (e.g., email address used to create an account); (2) data collected through the App, such as App usage data and log information, mobile phone information (i.e. types and models of the mobile phones on which the App is installed), and feedback that users submit via the App; and (3) data collected from smart devices, such as basic device data (e.g. on or off status and color) and data reported by the devices (e.g. humidity).

Collection of such data is based on users’ proactive consent to the in-App privacy policy prior to their use of the App. Such data will be collected, based on the type of data, either by the user’s active submission or our automatic collection, both of which are accomplished through the execution of predefined program logics embedded in the code of the App or the device’s firmware. The data are then transmitted to our cloud platform from the App or the device for processing. The data collected will be stored on specific data services as part of our cloud platform. Based on the user’s request, our cloud platform, also through the execution of predefined codes, will process the data and send feedback back to the App or the device. The primary purpose of the processing of the data is to facilitate the provision of our products and services to the users so that the devices may function properly.

As described above, the collection, processing and storage of the data that we may have access to are predominantly accomplished through the execution of predefined codes at the App or device level or embedded in our cloud platform. While we have right to access and process such data to the extent proactively consented to by our customers or users, we do not have control over such data, except in very limited circumstances where we are by contract explicitly authorized by the users to do so. In any event, it is the users who retain the ownership of the personal information contained in the data.

We have designed strict data protection policies to ensure that the collection, use, storage, transmission and dissemination of such data are in compliance with applicable laws and with prevalent industry practice. Specifically, our policies cover three main areas: data security, cloud service security, and access control management.

- **Data Security Policies:**we have published the Information Security Management Manual based on industry-recognized information security management framework. Our Policy of Handling Individual Rights aims to address privacy-related requirements outlined by multiple data privacy laws and regulations about individual privacy requests, the internal process, and responsible departments for responding to different types of data requests. Our Information Classification & Handling Policy has been developed to classify all information created, collected, processed and/or disseminated within the organization into different levels of sensitivity and criticality. Our Data Backup Policy requires mandatory electronic backup, so that data and application programs can be restored when an incident impacting the integrity of such data occurs. In addition, we have adopted the Tuya Incident and Data Breach Response Plan, which provides a well-defined, organized approach for handling any potential threat to servers and data, as well as taking appropriate action when the data breach concerns personal information.

- Cloud Service Security Policies: we have published the Management Process of Access to Information Systems and Surveillance of Use with the goal of strengthening the surveillance and control of access to our cloud information systems and to manage the security monitoring and log reviews within the infrastructure. Our Change Management Security Policy sets forth necessary processes to internally review and approve of potential changes before execution. Our Data Retention Policy aims to provide clear understandings of our roles and responsibilities for data retention and processing, and to regulate such retention, use and deletion of data collected and processed by us.
- Access Control Management Policies: we have designed Access Control Policies, which outline the categories of access to system platforms, application, machines and the alignment of personnel functionality accordingly, in an effort to achieve effective access control and to ensure information security integrity and confidentiality. We have also developed Management Process of Secure Areas to help us maintain the security of physical access to our facilities and offices by establishing effective perimeters and safeguard measures, which is an integral part of ensuring the integrity, security and confidentiality of data.

We have established an all-round information system in reference to data security requirements and best practices and intend to continually invest heavily in data security and privacy protection. Our information system applies multiple layers of safeguards, including internal and external firewalls, enterprise-standard web application firewalls, risk management platform, and runtime application self-protection, or RASP, a security technology that detects and blocks computer attacks using information from inside the running software. We encrypt data throughout its lifecycle to safeguard privacy and enhance data security. We implement a robust internal authentication and authorization system to ensure confidential and important data can only be accessed through computers for authorized use and only authorized staff can access those computers. We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is directly relevant and necessary for their responsibilities and for limited purposes and are required to verify authorization upon every access attempt. We have also implemented robust internal rules and procedures, including security assessment in the design and implementation of R&D projects and code auditing, to ensure that the designed security requirements are met in our R&D activities and code quality and security. Furthermore, we have established an incident response team that comprises of a Chief Information Security Officer (CISO), a Data Protection Officer (DPO), and a Chief Privacy Officer (CPO) to provide a quick, effective and orderly response to servers and personal information related potential or actual incidents such as virus infections, hacker attempts and break-ins, improper disclosure of confidential information, system service interruptions, breach of personal information, and other events with serious information security implications.

We have completed information security, privacy and compliance certifications/validations with the consultation of various global agencies, and now serve as a reliable IoT platform with comprehensive certificates. We have obtained ISO 27001

Information Security Management System Certificate, ISO 27017 Certificate for Information Security of Cloud Services, ISO 27701 Certificate for Protection of Personally Identifiable Information and are fully committed to complying with GDPR and CCPA. We have also worked with top privacy compliance and cyber security firms, such as TrustArc, ioXt Alliance and Rapid7, for privacy management and penetration testing.

We are of the view, as advised by our PRC Legal Advisor, that we have implemented essential and appropriate internal rules and procedures to ensure we will be able to continuously comply with the Cybersecurity Review Measures and the Draft Cyber Data Security Regulation (if adopted in its current form) in all material aspects during the Track Record Period and up to the Latest Practicable Date, for the following reasons: (i) the data protection policies abovementioned have been continuously improved to comply with Cybersecurity Review Measures and the Draft Cyber Data Security Regulation (if adopted in its current form) in all material aspects, and other internal rules and procedures implemented by us, such as establishment and operation of the information system and completion of the certifications/validations aforesaid, also generally satisfy the requirements of current applicable laws and regulations on cybersecurity, data security and personal information protection in all material aspects; (ii) during the Track Record Period and up to the Latest Practicable Date, we have not experienced any leakage or loss of material data or personal information, or other events that violate the current applicable laws and regulations on cybersecurity, data security and personal information protection, which have a significant adverse impact on our business operation, and we have not been subject to any material fines, penalties, or other regulatory sanctions imposed by competent regulatory authorities, or involved in any judicial litigation or arbitration (whether closed or ongoing), based on our actual or alleged violation of the material aspects of the current applicable laws and regulations on cybersecurity, data security and personal information protection; and (iii) we have been and will continue closely monitoring the legislations and regulatory development, updating and improving the internal rules and procedures to ensure our continuous compliance with the current effective laws and regulations, as well as other applicable draft regulations when they are formally promulgated and come into effect, relating to cybersecurity, data security and personal information protection in all material aspects, and we will maintain ongoing dialogue with relevant government authorities and consult such relevant government authorities as necessary and in due course and will adjust and optimize our data practices in a timely manner to keep pace with regulatory development. See “Risk Factors – Risks Related to Our Business and Industry – Unauthorized or improper disclosures of personal information, cyber-attacks or other security incidents or data breaches that affect our networks or systems, or those of our cloud service providers or our customers, whether inadvertent or purposeful, could degrade our ability to conduct our business, compromise the integrity of our products and services, platform and data, result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data which could adversely affect our business, financial condition and results of operations.”

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OUR EMPLOYEES

We had 1,504, 2,258 and 3,470 employees as of December 31, 2019, 2020 and 2021, respectively. As of December 31, 2021, a substantial majority of our employees were based in China, while the remaining of them were based in the U.S., India, Germany, Japan and Colombia.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels, including our corporate website and third-party employment websites. As required by PRC laws and regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing fund, pension, medical, work injury, unemployment and maternity insurance. We or agents engaged by us are required under PRC laws and regulations to contribute to employee social security plans at specified percentages of the salaries, bonuses and certain allowances of our employees.

The following table sets forth the breakdowns of our employees by functions as of December 31, 2021:

Function	Number of Employees	Percentage of Total
Research and development	2,561	73.8%
Sales and marketing	719	20.7%
General and administrative, and others	190	5.5%
Total	3,470	100.0%

We are subject to, and comply with, applicable labor law requirements, which may automatically make our employees subject to industry-wide collective bargaining agreements. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes in the past. None of our employees are represented by labor unions with respect to his or her employment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our shareholders, partners, customers and employees by embracing diversity and public interests.

Our Board of Directors has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the “ESG Policy”) in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations. Under our ESG Policy, one of our main ESG objectives is to reduce any negative impacts on the environment through our commitment to energy saving and sustainable development. In addition, we endeavor to support and have a lasting positive impact on the local community, through various initiatives, including corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. Under our ESG Policy, we will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development.

Our Board of Directors has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target, and evaluating, determining and addressing our ESG-related risks. We have continued to improve the oversight by our Board of Directors of ESG matters through a series of measures, including, taking into account ESG matters in board room discussions and strategic planning, conducting and regularly refreshing a materiality assessment to identify and assess all material ESG issues, developing and regularly reviewing ESG policies, and regularly monitoring ESG performance against our goals.

Commitment to Sustainable Development through Products and Services

As a global company deeply committed to environment and social responsibility, we always strive to make society a better place with our IoT technologies and products. We target to achieve sustainability which constitutes a fundamental strategy for us as we expand and diversify our offerings. In particular, we endeavor to incorporate environmental and ESG-related considerations into our product development process and have been actively exploring ways to achieve environmental protection and realize carbon neutrality. Many of our offerings of key products and services, such as our energy-efficient algorithms that aim to decrease energy usage of smart devices as much as possible, help customers optimize their business processes, reduce costs and improve operational efficiency. For example, our garage motion-sensing smart lighting solutions can help save more than 75% in energy usage while optimizing lighting. In the agricultural setting, our smart plant lighting solution, compared with traditional planting solutions, allows software developers to build their own dynamic spectrum algorithms to shorten the growth cycle of different plants, substantially reducing energy and resources consumption while maximizing plant growth efficiency.

In the mid-term, we will continue to monitor our carbon emissions which we expect to mainly come from office premises, and continue to implement sustainable and environmental-friendly practices to reduce our carbon emissions. We also intend to leverage our IoT technologies and products to help customers further achieve energy savings while optimizing device functionalities, and explore new, innovative designs for smart device energy storage and

usage. In the long-term, we intend to use our technological capabilities to enable greater sustainability across different industry verticals, enhance energy usage efficiency and optimize environmental and waste management through the implementation of various carbon neutral practices.

Embracing Diversity and Building a Healthy Workplace

We will continue to prioritize achieving diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. In particular, we recognize and embrace the benefits of having a gender-diverse board as an essential element in maintaining our company's competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. We are committed to taking a proactive approach in recruiting female directors and aligning directors' diverse competencies and perspectives with the company's strategy, and we believe that our diversity efforts are well implemented as evidenced by the fact our board consists of several female directors. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

As we do not operate any production facilities, we are not subject to material health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department will, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, workplace safety or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

Supporting the Community

As a company with strong sense of and commitment to social responsibility, we have in recent years launched a series of non-profitable events and campaigns as part of our corporate social responsibility efforts.

- Amid the early stage of COVID-19 outbreak in February 2020, we donated medical supplies with a total value of RMB1.0 million to frontline doctors and hospitals, including nearly 600 Tuya-powered smart devices, 16,000 medical surgical masks and thousands of protective suits;
- Besides helping fight the COVID-19 pandemic, we have been actively involved in various other types of corporate philanthropy efforts. During October to December 2021, we held a number of charitable events to help the local people in need and support local economic development. In these events, we donated supplies with a

total value of RMB2.0 million, including IoT smart devices, to poverty-stricken areas or villages in China such as Ganzi, Ya'an, Chun'an, Guangyuan, Qingchuan and remote villages in Hangzhou;

- During the flood disaster in Henan, China in October 2021, we donated smart devices with a total value of RMB1.5 million to support the rescue efforts in the flood-devastated areas; and
- In June 2021, we sponsored Xingzhi School in Daxing district of Beijing by donating school supply kits, whose students are mainly rural migrant children.

Integrating Sustainable and Environmental Friendly Practices into Our Business Operations

Although our business operations do not directly produce pollutants that directly affect the environment, we endeavor to implement sustainable and economically friendly practices in our own operations to reduce our carbon footprint such as reducing the energy consumption through, for example:

- Installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors;
- Requiring double-sided printing of documents throughout our offices;
- Actively drive reductions in the use of paper, water and electricity throughout our offices;
- Switching off certain IT equipment or automatic power shutdown for certain systems and devices; and
- Air conditioning controls, with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls.

We believe that our policies can help us meet our environmental sustainability goals by reducing energy consumption in our operations. For example, in the fourth quarter of 2021, our per capita purchase of napkins and paper towels decreased by 21% and 52% sequentially, respectively, as we actively encouraged reduction in the use of napkins and paper towels.

Managing ESG Risks

We are committed to a thorough analysis and assessment process that will enable us to identify any material ESG risks and take actions to address these risks timely and effectively. We identify, assess, manage and mitigate environmental, social and climate-related risks by having dedicated teams to take care of the lifecycle management of the corresponding project.

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For example, personnel from our human resources and government-related affairs departments are responsible for overseeing the management and monitoring of our waste management system and our energy saving and consumption control program to ensure that we achieve the goals of energy saving and consumption reduction. Our management also actively oversees the identification and monitoring of the actual and potential environmental, social and climate-related risks on our business, strategy and financial performance, and take these issues into account during the course of our business, strategic and financial planning. Our management will assess the likelihood of such risks occurring and the estimated magnitude of any potential impact. We may also engage independent third parties to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate any major ESG risks identified.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material ESG risks. As a technology company, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect that we will incur any material liabilities in this regard which could have any material adverse impact on our business and operating results. However, potential risks associated with climate change or other climate-related issues may have financial implications for us. For instance, extreme weather conditions may cause suspension or disruption to our business operation and have impact on our financial conditions. Extreme weather may also cause disruptions for our suppliers, which may in turn adversely impact our ability to serve our customers and end-users. During the Track Record Period, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incidents.

SEASONALITY

We have in the past experienced, and expect in the future to continue to experience, seasonal fluctuations in our revenue and sales from time to time, as a result of the holiday season and customers' buying patterns. We typically experience lower growth in revenue in the first quarter as a result the reduced production capacities of OEMs located in China due to the annual Lunar New Year holidays. As an illustration of such seasonality, we had approximately 3,000 customers who generated revenues ("revenue-generating customers") in the first quarter of 2021, decreasing from approximately 3,400 revenue-generating customers in the fourth quarter of 2020. Our revenue-generating customers then increased to approximately 3,700 in the second quarter of 2021. We expect the historical seasonality trends to continue to have a material impact on our results of operations and financial condition. See "Risk Factors – Risks Related to Our Business and Industry – Seasonality may cause fluctuations in our sales and operating results."

FACILITIES

Our principal executive office is located in Hangzhou, China under a lease that will expire in 2023. In addition, we operate internationally with local headquarters in the U.S., India, Germany, and Japan. These offices are leased, and we do not own any real property. As of December 31, 2021, we leased 21 properties with a gross floor area of approximately 38,278.22

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square meters in China. As of the Latest Practicable Date, we do not own any property but instead lease our premises from Independent Third Parties with a view to reducing our capital investment. We believe that our current facilities are adequate to meet our current needs.

COMPETITION

The global IoT platform market is rapidly evolving and increasingly competitive. Currently, our competitors include both large, well established IoT service providers, and less-established IoT companies or companies that offer capabilities that compete with some of our offerings. For instance, we compete in the ordinary course of business with technology companies providing IoT services and solutions, Internet-related services and products for IoT, and IoT-enabling platforms, and e-commerce companies offering IoT-related cloud products and services. For details of our competitive landscape, see the section headed “Industry Overview – Competitive Analysis of Global IoT PaaS Industry” of this prospectus.

We believe that none of our competitors currently competes directly with us across all of our offerings, and we compete favorably on the basis of the factors below:

- ability to support multiple use cases on a single platform;
- ease of deployment, implementation and use;
- platform performance, interoperability, scalability and reliability;
- ability to help customers achieve global IoT deployment;
- ability to build a supply chain ecosystem;
- customer support and platform maintenance;
- brand awareness and reputation;
- sales and marketing efforts; and
- ability to ensure data security and privacy.

See the section titled “Risk Factors” for a more comprehensive description of risks related to competition.

INSURANCE

We maintain liability insurance policies to cover potential product liability claims, cybersecurity insurance policies to cover the costs associated with a breach of third-party data in the event that the data is lost or stolen, and technical errors and omissions policies for liabilities in connection with failures of a service or software. Consistent with customary

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industry practice in the PRC and the other markets in which we operate, we do not maintain key-man life insurance. See “Risk Factors – Risks Related to Our Business and Industry – We have limited business insurance coverage, which could expose us to significant costs and business disruption.”

LEGAL PROCEEDINGS AND COMPLIANCE WITH LAW

From time to time, we may be subject to various claims and legal actions that arise in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal or arbitral proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial condition or results of operations.

Defending ourselves in legal and regulatory proceedings is costly and can impose a significant burden on our Directors, management and employees. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors. See “Risk Factors – Related to Our Business and Industry – We may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, they could have a material adverse effect on our business, results of operations, and financial condition.”

During the Track Record Period, and up to the Latest Practicable Date, we had complied with the relevant laws and regulations in relation to our business in all material respects.

LICENSES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals and certificates from relevant regulatory authorities that are material to our operations. Our PRC Legal Advisor is of the view that we had complied with the relevant applicable PRC Laws relating to the required permits and licenses to our business operations in all material respects during the Track Record Period and up to the Latest Practicable Date. Based on the understanding of the relevant PRC laws and regulations, our PRC Legal Advisor has also advised us that, to the best of their knowledge, there should be no material legal impediment for us to renew these licenses, permits or certificates as long as we comply with the relevant legal requirements and we take all necessary steps and submit the relevant applications in accordance with the requirements and schedules prescribed by the applicable PRC laws and regulations.

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The following table sets forth details of our material licenses and permits:

License/Permit	Holder	Issuing Authority	Grant Dates	Expiration Date
Registration and Filing of Foreign Trade Operator (對外貿易經營者備案登記表)	Tuya Information	Hangzhou City Xihu Commission of Commerce	February 15, 2022	N/A
Registration of Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案登記)	Tuya Information	Hangzhou Customs	May 11, 2018	Long term
Registration and Filing of Foreign Trade Operator (對外貿易經營者備案登記表)	Zhejiang Tuya	Hangzhou City Xihu District Commission of Commerce	November 12, 2021	N/A
Registration of Consignee or Consignor of Imported or Exported Goods (海關進出口貨物收發貨人備案登記)	Zhejiang Tuya	Qianjiang Customs	May 27, 2020	Long term
Value-Added Telecommunications Services Operating License (增值電信業務經營許可證) (Online data processing and transaction processing services (only for operational e-commerce), excluding Internet financial services as online lending information intermediaries)	Hangzhou Tuya Technology	Zhejiang Communications Administration	May 14, 2021	May 13, 2026

Our PRC Legal Advisor has advised us that the licenses and permits set forth above remain in full effect and had not been revoked or cancelled as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we have not been found to be subject to major administrative penalties by relevant competent authorities due to violations of laws and regulations. For more information about the laws and regulations to which we are subject, see “Regulation.”

AWARDS AND RECOGNITION

The table below sets forth a summary of the major awards and recognitions we received as of the Latest Practicable Date:

- We won 2018 IFA Product Technical Innovation Award for Smart Interconnected Platform Innovation;
- We won CES “AI IoT Technology Innovative Platform” Award in 2019;
- We were named as one of the “Top 25 IoT Startups to Watch in 2019” and “Top 100 AIoT Enterprises in China” by Forbes in 2019;
- We won AWE “Smart Innovation Award” in 2019;
- We won Caijing Magazine’s “Evergreen Award: Most Valued IPO Tech Company” in 2021.

RISK MANAGEMENT AND INTERNAL CONTROL**Human Resource Risk Management**

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. The demand in our industry for skilled employees is intense and we may be adversely affected by the departure of any key employees. Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

We also require our staff to conform to high ethical standards. We store the digital copy of our employee handbook on an internal shared drive that is accessible to all employees, and we inform new employees where to obtain it when they join the company. The employee handbook contains, among other things, a code of conduct that each employee must comply with. We provide regular trainings to our staff on work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

We also have in place a code of business conduct and ethics, and FCPA-related policies to safeguard against corruption within our company, providing to our employees the best practices and work ethics as well as our anti-corruption and anti-bribery guidance and measures. In particular, we have adopted an internal code of business conduct and ethics to enhance the professionalism of teams, strengthen the awareness of compliance and integrity, as

well as prevent all kinds of violations or improper conducts. Under our firm-wide whistle-blowing policy, we make our internal reporting channel open and available for our staff to file complaints or report violations. We will conduct timely investigation and evidence collection after receiving complaints about and reports on violation of the code of integrity.

Information Technology Risk Management

We have established and currently maintain information technology risk management and internal procedures and policies that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. See “Data Security and Privacy” in this section for information about our information security procedures and policies.

Financial Reporting Risk Management

We have in place a set of accounting policies and procedures in connection with our financial reporting risk management, such as financial and accounting policies, treasury management policies, expenses management policies, employee reimbursement policies, budget management procedure and financial statement preparation procedure. We have various procedures and IT systems in place to implement accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Our finance team is headed by our chief financial officer, Ms. LIU Yao, who has extensive experience in finance and financial reporting. All other senior members of our finance department are experienced in finance and accounting. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

Legal and Compliance Risk Management

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our business operations, which may be subject to changes. For further details on the applicable laws and regulations in relation to our business operations, see “Regulations” of this prospectus. If we fail to comply with these laws and regulations, we may be required to rectify and may incur penalties and losses.

In addition, we have strengthened our legal and compliance risk management by:

- reviewing our management accounts on a monthly basis by our finance department to monitor the key financial indicators of our operations;
- establishing risk-monitoring mechanisms in our system to monitor and identify their irregularities and non-compliance incidents in our operations;

- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities; and
- reiterating the importance of adherence to our risk management-related operational protocols and procedures to our employees and, in particular, new employees, to enhance effective implementation of our operational protocols and procedures.

Internal Control Risk Management

To ensure strict compliance of our business operations with applicable rules and regulations, we have designed and adopted a set of comprehensive internal control policies. To reinforce the control environment and ensure the effectiveness of internal control across our organization, our compliance committee works closely with our business units and functional departments (such as legal and compliance, finance, procurement and security) to monitor and improve the implementation of internal control processes in our daily business operations. We continually review our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Prior to our initial public offering completed in March 2021, we were a private company with limited accounting and financial reporting personnel and other resources to address our internal controls and procedures, including those associated with internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, “internal control over financial reporting” refers to the process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

In connection with the audit of our consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified is our company’s

lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge and experience to address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirement. For more information about such material weakness and the steps we have taken to remedy such material weakness, see “Financial Information – Internal Control Over Financial Reporting.” Our management has not completed an assessment of the effectiveness of our internal control and procedures over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting as of and for the year ended December 31, 2021.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. Upon Listing, the audit committee will comprise three independent non-executive Directors, namely Mr. HUANG Sidney Xuande, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. QIU Changheng. For more information about our audit committee, including the professional qualifications and experiences of its members, see “Directors and Senior Management – Corporate Governance.”

Our internal audit department is in charge of reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department members are responsible for holding regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department is also responsible for reporting to the audit committee to ensure that any major issues identified thereby are communicated to the committee in a timely manner. The audit committee is then responsible for discussing these issues and reporting to the board of directors as necessary.

Health, Workplace Safety and Environmental Matters

We do not operate any production facilities. We are not subject to significant health, workplace safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations. For more information about our employees, see “– Our Employees.”

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, workplace safety or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

CONTRACTUAL ARRANGEMENTS

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄》) (the “**Encouraging Catalog**”), which were promulgated and are amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divides industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted” and “prohibited.” Industries not listed under the Negative List and the Encouraging Catalog are generally deemed as falling into a fourth category “permitted.” The currently effective Negative List is the Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List (2021)**”), which became effective on January 1, 2022.

The table below provides a summary of the regulatory overview of the Group’s main services and products in the PRC, and illustrates whether they fall within any categories of the telecommunications services as stipulated under the “Catalog of Telecommunications Business” (《電信業務分類目錄》) (the “**Catalog**”) and the Negative List (2021) during the Track Record Period and up to the Latest Practicable Date:

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Services and Products	Description	Whether Falling Within the Catalog	Falling Within the Negative List (2021) or not	Assumed by PRC Subsidiaries or Consolidated Affiliated Entity
IoT PaaS	IoT PaaS provides brands and OEMs with the access to a common software infrastructure and ready-to-use software and development tools that they need to develop, manage and upgrade smart devices.	Basing on (i) the verbal consultations with the officers of Zhejiang Communications Administration conducted by our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors on November 18, 2020, and the phone consultation with the officer of Zhejiang Communications Administration conducted by the our PRC Legal Advisor on March 1, 2022, during which the officers have confirmed that the Group are not required to obtain any telecommunication service license under the Catalog for providing the PaaS, SaaS and other related services; and (ii) the understanding of the relevant PRC laws and regulations, as advised by the its PRC Legal Advisor, the Group's relevant business activities mentioned above do not fall within the categories of the telecommunication services under the Catalog.	No	PRC subsidiaries
Industry SaaS	Industry SaaS consists of vertical-focused software solutions (which can be accessed via web-based or mobile portals) enabling businesses across a variety of industries to deploy, connect, and manage large numbers and different types of smart devices.		No	
Value-added services	The Group offers a variety of (i) cloud-based services to business customers, such as brands and OEMs, that are complementary to IoT PaaS and (ii) cloud-based services to end users.		No	

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Services and Products	Description	Whether Falling Within the Catalog	Falling Within the Negative List (2021) or not	Assumed by PRC Subsidiaries or Consolidated Affiliated Entity
Smart Device Distribution	The Group offers customers the option to purchase directly from us finished smart devices deployed with IoT PaaS sourced from qualified OEMs.	Based on the understanding of the relevant PRC laws and regulations, as advised by our PRC Legal Advisor, the business activities of smart device distribution do not fall within the categories of the telecommunication services under the Catalog.	No	
	The Group also provides customers with the access to Tuya Expo, a dedicated business-to-business (B2B) platform connecting brands globally with an extensive network of OEMs.	Basing on (i) the verbal consultations with the officers of Zhejiang Communications Administration conducted by our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors on December 10, 2021 and December 17, 2021, during which the officers have confirmed that the Consolidated Affiliated Entity is required to obtain the EDI License (as defined below) under the Catalog for providing the online transaction platform services; and (ii) the understanding of the relevant PRC laws and regulations, as advised by the its PRC Legal Advisor, the aforesaid services are one kind of the online data processing and transaction processing services, which fall within the categories of the value-added telecommunication services under the Catalog.	Yes, please refer to the paragraph below.	Consolidated Affiliated Entity

As advised by our PRC Legal Advisor, a summary of our businesses/operations that are subject to foreign investment restriction or prohibition in accordance with the Negative List 2021 and other applicable PRC laws is set out below:

Categories

Our business/operations

“Restricted”

Value-added telecommunication services

According to the Negative List 2021, the foreign equity interests ownership of entities that engage in value-added telecommunications business (except for e-commerce, domestic multi-party communication, storage and forwarding and call center) must not exceed 50%.

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Categories

Our business/operations

According to Notice of the Ministry of Industry and Information Technology on Removing the Restrictions on Foreign Equity Ratios in Online Data Processing and Transaction Processing (Operating E-commerce) Business (《工業和信息化部關於開放在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》), the shareholding percentage of a foreign investor in enterprises engaged in online data processing and transaction processing businesses (operational e-commerce) is not subject to any restriction, other conditions or requirements for approval and the approval procedures shall follow the requirements under the FITE Regulations (as defined below). The principal business of Hangzhou Tuya Technology involves provision of online platform for connecting OEMs and brands, which is an electronic data interchange business (the “**EDI Business**”), and constitutes commercial value-added telecommunication business under the applicable PRC laws and thus a value-added telecommunication business operation license for online data processing and transaction processing services (增值電信業務經營許可證)(在線數據處理與交易處理業務) (the “**EDI License**”) is required. Hangzhou Tuya Technology currently holds the EDI License issued by Zhejiang Communications Administration (浙江省通信管理局). Hangzhou Tuya Technology currently also holds value-added telecommunication business operation license for provision of information services (other than internet information services) (增值電信業務經營許可證)(信息服務業務, 不含互聯網信息服務) (the “**SP License**”). The Group was planning to engage in the business of publishing and delivering information through mobile platform, which requires a SP License, and therefore applied for such license. Eventually, the Group did not pursue with such business plan after obtaining the SP License in January 2019. As at the Latest Practicable Date, Hangzhou Tuya Technology has not engaged in or is conducting any business which requires the SP License.

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Article 6 of the Interpretation Note of the Negative List (2021) (the “Article 6”) provides that, where a domestic enterprise engaged in the business in the prohibited areas of the Negative List (2021) seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. On January 18, 2022, the NDRC held a press conference to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applying to the situations where domestic enterprises were seeking a direct overseas issuance and listing (i.e. H-shares listing).

As advised by the our PRC Legal Advisor, the Article 6 is not applicable to us and we are not required to complete any examination procedures and/or obtain approval from the relevant competent authorities of the State under the Article 6 for the reasons as follows: (i) our businesses under the Contractual Arrangements are subject to foreign investment restriction rather than prohibition in accordance with the Negative List (2021); and (ii) according to the Administrative Provisions and the Filing Measures, the Global Offering constitute an indirect overseas issuance and listing rather than a direct overseas issuance and listing.

Requirements under the FITE Regulations

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on September 10, 2008, February 6, 2016 and March 29, 2022. The FITE Regulations were newly amended and currently lack clear, specific and updated guidance thereunder for foreign-invested enterprises to apply for the value-added telecommunication business operation license, such as whether they should satisfy any regulatory requirements (the “**Regulatory Requirements**”) of the competent authorities in practice.

Our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors conducted verbal consultations with the officers of Zhejiang Communications Administration, the relevant competent government authority, on December 10, 2021 and December 17, 2021, respectively, who confirmed that, in the case of our Company, regulatory authority would not approve or permit its foreign-invested entities (including wholly owned foreign investment entities and sino-foreign jointly-owned entities) to engage in the EDI Business even if it generally meets the eligibility standards under the related PRC laws and regulations. Considering that: (i) according to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), the telecom administrative agencies at provincial level, such as Zhejiang Communications Administration, carry out the duty of supervision and administration over the telecom industry in their respective administrative divisions; (ii) as disclosed on the official website of Zhejiang Communications Administration, it is in charge of the supervision and administration over the information communication service in relation to telecom and internet, the implementation of the policies of the new business market access and regulation, and the supervision over the implementation of the regulatory policies and codes of conduct of the telecom and internet

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market in Zhejiang Province; (iii) the EDI License held by Hangzhou Tuya Technology were granted by Zhejiang Communications Administration and the officers interviewed confirmed that they are responsible for reviewing the applications of the EDI License in Zhejiang Province, our PRC Legal Advisor is of the view that Zhejiang Communications Administration is the competent authority and the officers interviewed are competent persons to give the above confirmations. On the basis of the above, we are of the view that the Contractual Arrangements are narrowly tailored and we are therefore required to carry out our value-added telecommunication services through the Contractual Arrangements.

We will remain abreast of any regulatory developments, including but not limited to making periodic inquiries to relevant PRC authorities to understand any new regulatory development, and continuously assess whether we meet the Regulatory Requirements (if any), with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC Laws.

OUR CONTRACTUAL ARRANGEMENTS

Overview

The Consolidated Affiliated Entity was established under the PRC laws. As described above, investment in certain areas of the industries in which we currently operate and may operate are subject to restrictions under current PRC laws and regulations. After consultation with our PRC Legal Advisor, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entity directly through equity ownership. Instead, we decided that, in line with common practice in the PRC for industries subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entity through the Contractual Arrangements between the WFOE, on the one hand, and our Consolidated Affiliated Entity and the Registered Shareholders, on the other hand.

In order to comply with the relevant PRC laws and regulations described above, while availing ourselves of international capital markets and maintaining effective control over all of our operations, our Company gained control over the Consolidated Affiliated Entity by entering into a series of Contractual Arrangements through the WFOE and the Registered Shareholders initially in December 2014. The Contractual Arrangements currently in effect were amended and restated, whereby the WFOE acquired effective control over the financial and operational policies of the Consolidated Affiliated Entity and have become entitled to all the economic benefits derived from their operations. As a result, we do not directly own any controlling stake in our Consolidated Affiliated Entity.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOE and our Consolidated Affiliated Entity; (ii) by entering into the exclusive business cooperation agreement with the WFOE, being a subsidiary of our Company, our Consolidated Affiliated Entity will enjoy better economic and technical support from us, as well as a better market

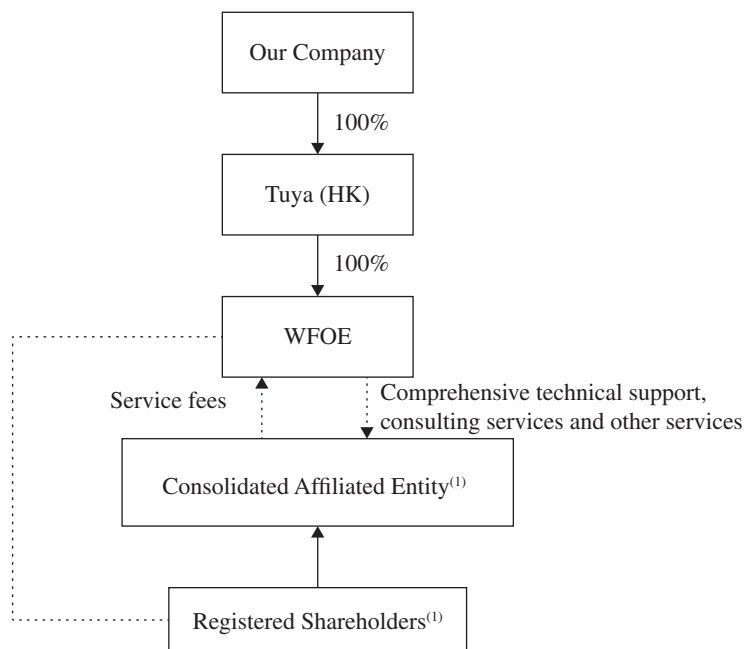
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reputation after Listing; and (iii) a number of other companies in the same or similar industries in which we operate use similar arrangements to accomplish the same purpose. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entity, have been narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws and regulations to the maximum extent.

The revenue contribution of the Consolidated Affiliated Entity to our Group, taking into account all of its businesses with or without foreign investment restrictions under PRC laws, amounted to US\$31,000, US\$8,000 and nil, representing approximately 0.03%, 0.004% and nil of the total revenue of our Group for the years ended December 31, 2019, 2020 and 2021, respectively.

Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entity to our Group under the Contractual Arrangements:



Notes:

- (1) The Consolidated Affiliated Entity is held as to 60.69% by Mr. Wang, 13.10% by Mr. Chen, 11.47% by Mr. Lin Yaona, 9.83% by Mr. Zhou, and 4.91% by Mr. Chen Peihong.
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “--->” denotes contractual relationship.
- (4) “----” denotes the control by WFOE over the Registered Shareholders and our Consolidated Affiliated Entity through (i) powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliated Entity; (ii) exclusive call options to acquire all or part of the equity interests in the Consolidated Affiliated Entity; and (iii) equity interest pledges over the equity interests in the Consolidated Affiliated Entity.

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Circumstances under which we will unwind the Contractual Arrangements

We will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority grants relevant value-added telecommunication business operation license to Sino-foreign equity joint ventures or wholly-owned foreign investment entities in practice under relevant PRC laws and regulations.

Summary of the material terms of the Contractual Arrangements

Exclusive Business Cooperation Agreement

Under the amended and restated exclusive business cooperation agreement between our Consolidated Affiliated Entity and the WFOE (the “**Exclusive Business Cooperation Agreement**”), in exchange for a service fee, payable on regular basis, our Consolidated Affiliated Entity agreed to engage the WFOE as its exclusive provider of technical support, consulting services and other services on exclusive basis in relation to the business conducted by our Consolidated Affiliated Entity currently and any time, including but not limited to: (i) licensing our Consolidated Affiliated Entity to use any software legally owned by the WFOE; (ii) development, maintenance and update of software involved in our Consolidated Affiliated Entity’s business; (iii) design, installation, daily management, maintenance and updating of network system, hardware and database design; (iv) technical support and training for employees of our Consolidated Affiliated Entity; (v) assisting our Consolidated Affiliated Entity in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under PRC law); (vi) providing business management consultation for our Consolidated Affiliated Entity; (vii) providing marketing and promotion services for our Consolidated Affiliated Entity; (viii) providing customer order management and customer services for our Consolidated Affiliated Entity; (ix) leasing of equipment or properties; and (x) other services requested by our Consolidated Affiliated Entity from time to time to the extent permitted under PRC law.

Under the Exclusive Business Cooperation Agreement, the service fee shall consist of management fee and fee for services provided, which shall be determined by the WFOE after considering the complexity and difficulty of the services, the title of and time consumed by employees providing the services, the contents and value of the services, the market price of the same type of services, and the operation conditions of our Consolidated Affiliated Entity. The aggregate amount of the service fee equals to the balances of the total income deducting cost and taxes (excluding enterprise income tax) as well as other fees reserved or withdrawn according to the requirements of laws and regulations. If the WFOE transfers technology to our Consolidated Affiliated Entity or develops software or other technology as entrusted by our Consolidated Affiliated Entity or leases equipment or properties to our Consolidated Affiliated Entity, the technology transfer price, development fees or rent shall be determined by the parties based on the actual situations. The WFOE shall calculate the service fee by phases

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(which shall be determined by the WFOE) and issue corresponding bills and notices to our Consolidated Affiliated Entity. Our Consolidated Affiliated Entity must make the payment to the WFOE within ten business days of receiving such notices.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, our Consolidated Affiliated Entity shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationship with any third party regarding the matters contemplated under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provided that the WFOE has the exclusive and proprietary ownership, rights and interests in any and all intellectual properties arising out of or created during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement shall remain effective unless terminated in accordance with the Exclusive Business Cooperation Agreement or terminated in writing by the WFOE.

Exclusive Option Agreements

Under the amended and restated exclusive option agreements among our Consolidated Affiliated Entity, the WFOE and the Registered Shareholders (the “**Exclusive Option Agreements**”), the Registered Shareholders irrevocably granted the WFOE a binding and exclusive right to purchase, or designate one or more persons (each, a “**Designee**”) to purchase the equity interests in our Consolidated Affiliated Entity then held by the Registered Shareholders at once or at multiple times at any time in part or in whole at the WFOE’s sole and absolute discretion to the extent permitted by PRC laws and at the price of RMB1.00 or the lowest price permitted under applicable PRC laws at the time (if higher).

Under the Exclusive Option Agreements, our Consolidated Affiliated Entity granted to the WFOE an irrevocable and exclusive option to have the WFOE or its Designee to purchase from our Consolidated Affiliated Entity, at the WFOE’s sole discretion, at any time and in accordance with the procedures decided by the WFOE in its sole discretion, any or all of the assets of our Consolidated Affiliated Entity, to the extent permitted under PRC law, and at the lowest purchase price permitted by PRC law. All the consideration received by the Registered Shareholders and our Consolidated Affiliated Entity for acquisition of equity interests or assets of the Consolidated Affiliated Entity shall be fully returned to the WFOE or the Designee upon the request of the WFOE.

Each of the Registered Shareholders and our Consolidated Affiliated Entity has covenanted, among other things, that without the prior written consent of the WFOE, our Consolidated Affiliated Entity shall not: (i) alter the articles of association or change its registered capital; (ii) change the principal business or significantly adjust the business scope and model, marketing strategies, operating policy or relationship with customers; (iii) sell,

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transfer, mortgage, or dispose of any material assets or interest in the material business or revenues of our Consolidated Affiliated Entity for a value of more than RMB500,000 or allow the encumbrance thereon of any security interests; (iv) incur, inherit, guarantee, or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans; (v) execute any contracts with a price exceeding RMB500,000 or execute any other contracts, agreements or arrangements that contradicts with the Exclusive Option Agreement or may prejudice the interest of WFOE under the Exclusive Option Agreement except the contracts in the ordinary course of business; (vi) provide any person with a loan or credit; (vii) merge, consolidate with, acquire, or invest in any person; (viii) distribute dividends to its shareholders; (ix) engage in any business in competition with the WFOE or its affiliates; (x) be dissolved or liquidated; (xi) engage in any transaction which may materially affect its assets, obligations, rights or company operation. When our Consolidated Affiliated Entity is liquidated or dissolved, persons recommended by the WFOE shall be appointed as permitted by the PRC laws to establish a liquidation team to manage the assets of our Consolidated Affiliated Entity.

In addition, pursuant to the Exclusive Option Agreements, each of the Registered Shareholders and our Consolidated Affiliated Entity has covenanted that they shall not cause themselves to have conflict of interest with WFOE and its shareholders in the matter of action or omission. If there are conflict of interest, each of the Registered Shareholders and our Consolidated Affiliated Entity shall take measures as timely as possible to eliminate the conflicts with the consent of WFOE or its designated persons.

The Exclusive Option Agreements will remain effective until all equity interests in our Consolidated Affiliated Entity have been transferred or assigned to the WFOE and/or any Designee.

Equity Interest Pledge Agreements

Under the amended and restated equity interest pledge agreements among the WFOE, the Registered Shareholders and our Consolidated Affiliated Entity (the “**Equity Interest Pledge Agreements**”), the Registered Shareholders agreed to pledge all their respective equity interests in our Consolidated Affiliated Entity that they own to the WFOE as a security interest to guarantee the (i) performance of their contractual obligations under the Exclusive Option Agreements, the Powers of Attorney and the Equity Interest Pledge Agreements; (ii) performance of contractual obligations of our Consolidated Affiliated Entity under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreements and the Equity Interest Pledge Agreements and (iii) the secured indebtedness as a result of any event of default.

During the term of the pledge, the WFOE shall be entitled to receive dividends distributed on the equity interests pledged, and the Registered Shareholders may receive dividends distributed on the Equity Interest only with prior written consent of the WFOE. Each of the Registered Shareholders agrees that the rights of the WFOE under the Equity Interest Pledge Agreements shall not be interrupted or harmed by the Registered Shareholders or any heirs or

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representatives of the Registered Shareholders or any other persons through any legal proceedings, and covenants that they shall not transfer the equity interest, place or permit the existence of any security interest or other encumbrance on the equity interest or any portion thereof, without the prior written consent of WFOE, except for the performance of the transaction documents under the Contractual Arrangements.

The pledge shall become effective on such date when the pledge is registered with relevant administration for industry and commerce, and shall remain effective until after all the contractual obligations of the Registered Shareholders and our Consolidated Affiliated Entity under the Contractual Arrangements have been fully performed and all the secured indebtedness of the Registered Shareholders and our Consolidated Affiliated Entity under the Contractual Arrangements have been fully paid.

Upon the occurrence of an event of default (as defined in the Equity Interest Pledge Agreements) or an event that may lead to an event of default, the Registered Shareholders and our Consolidated Affiliated Entity shall immediately notify the WFOE. Unless the event of default has been successfully resolved to the WFOE's satisfaction within twenty days after the WFOE delivers a notice to the Registered Shareholders and/or our Consolidated Affiliated Entity requesting rectification of such event of default, the WFOE shall have the right to exercise all such rights as a secured party under applicable PRC laws and the relevant Contractual Arrangements, including but not limited to being paid in priority with the equity interest based on the monetary valuation that such equity interest is converted into or from the proceeds from auction or sale of the equity interest.

The equity pledges in connection with our Consolidated Affiliated Entity have been registered with the relevant PRC government authority pursuant to PRC laws and regulations.

Powers of Attorney

The Registered Shareholders have executed powers of attorney (the “**Powers of Attorney**”). Under the Powers of Attorney, the Registered Shareholders irrevocably authorized the WFOE and its designated person(s) (including but not limited to the directors of the WFOE's shareholders and their successors and bankruptcy/winding-up administrators, and shall be Chinese citizens, but excluding any non-independent persons or persons that may cause conflict of interests such as the Registered Shareholders) to act on their behalf as their exclusive agent and attorney with respect to all matters concerning all their equity interests in our Consolidated Affiliated Entity, including but not limited to: (i) attending shareholders' meetings of our Consolidated Affiliated Entity and signing relevant meeting minutes/resolutions; (ii) exercising all the shareholder's rights and shareholder's voting rights that they are entitled to under the relevant PRC laws and our Consolidated Affiliated Entity's articles of association, including but not limited to the sale, transfer, pledge, or disposition of their equity interest in our Consolidated Affiliated Entity in part or in whole, and acting as an agent to submit any documents required to be submitted by shareholders or directors of our Consolidated Affiliated Entity to relevant government authorities or other regulatory authorities; and (iii) designating and appointing on their behalf the legal representative,

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directors, supervisors, chief executive officer, and other senior management members of our Consolidated Affiliated Entity. During the term of this Power of Attorney, the Registered Shareholders waive all the rights associated with their equity interest in our Consolidated Affiliated Entity and shall not exercise such rights.

The Registered Shareholders also undertakes that if there is a potential conflict of interest between themselves and our Consolidated Affiliated Entity and the WFOE or the overseas parent company of the WFOE or its subsidiaries, they will give priority to protect and will not harm the interests of the WFOE or the overseas parent company of the WFOE without violating relevant provisions of the PRC laws and regulations. In the case that the Registered Shareholders act as a director or senior management of the WFOE or the overseas parent company of the WFOE, they will authorize the WFOE or other directors or senior management of direct or indirect overseas parent company of the WFOE (according to the instructions of the WFOE) to exercise the rights under the Powers of Attorney, and the Registered Shareholders shall not sign or undertake not to sign any documents that have conflicts of interest with legal documents such as the agreements signed with the WFOE or the attorney and are being performed.

The Powers of Attorney will remain irrevocable and continuously effective during the period that the Registered Shareholders remain shareholders of our Consolidated Affiliated Entity.

Spousal Consent Letter(s)

Each of the spouses of Mr. Wang, Mr. Chen, Mr. Lin Yaona, Mr. Zhou and Mr. Chen Peihong has signed a spousal consent (collectively, the “**Spousal Consent Letter(s)**”). Under each of the Spousal Consent Letters, each spouse agreed to the execution of the Equity Interest Pledge Agreement, the Exclusive Option Agreement and the Power of Attorney, and the disposal of the equity interests in our Consolidated Affiliated Entity held by their respective spouse according to the above mentioned documents. The signing spouses also agreed that: (i) any equity interests held by their respective spouse in our Consolidated Affiliated Entity do not fall within the scope of their marital assets; (ii) they will not make any claim in respect of the equity interests held by their respective spouse, including but not limited to claiming the equity interests as marital assets or requesting to participate in the operation and management of our Consolidated Affiliated Entity; (iii) if they obtain any equity interests of our Consolidated Affiliated Entity for any reasons, they shall be bound by the Contractual Arrangements and comply with the obligations thereunder; (iv) in the event of death, bankruptcy, incapacity, divorce of their respective spouse, or any circumstance that may affect the exercise of their respective spouse’s rights in our Consolidated Affiliated Entity, they and their heirs or other persons who may claim rights or interests in the equity interest in our Consolidated Affiliated Entity will not take any action that may affect or hinder the obligations of the Registered Shareholders under the Contractual Arrangements.

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Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute with respect to the construction and performance of these agreements, either party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with its arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration award shall be final and binding on the parties. Subject to the provisions of the PRC laws, the arbitrator may impose restrictions on and/or dispose of our Consolidated Affiliated Entity's equity interests or land and other assets (such as for award of remedies), grant injunction (such as for the conduct of business or compelling the transfer of assets), or grant other interim relief, or order winding up of our Consolidated Affiliated Entity through arbitration. Subject to the provisions of the PRC laws, pending the formation of the arbitration tribunal or in appropriate cases, the courts with jurisdiction (including the courts in Hong Kong, the place of incorporation of the Company, the place of incorporation of the Consolidated Affiliated Entity, and the place where the principal assets of the WFOE or our Consolidated Affiliated Entity is located) shall have the right to grant interim relief in support of the arbitration. After the arbitration award takes effect, any party shall have the right to apply to the said courts with jurisdiction for enforcement of the arbitration award.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal would not to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entity pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that our Consolidated Affiliated Entity or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entity and conduct our business could be materially and adversely affected. See the section headed "Risk Factors – Risks Related to Our Corporate Structure and the Contractual Arrangements" in this prospectus for further details.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders. Under the Civil Code of the PRC (《中華人民共和國民法典》), for individual Registered Shareholders, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangements, the relevant agreements shall be binding on and shall inure to the interest of the respective successors of the Registered Shareholder. Where there are circumstances that may affect the Registered Shareholders' exercise of their rights as a

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shareholder of our Consolidated Affiliated Entity (including but not limited to death, incapacity, marriage, divorce, bankruptcy), any successors of the Registered Shareholder shall cooperate with other parties to make all arrangements deemed necessary so that the performance of the agreements will not be hindered.

Pursuant to the Powers of Attorney, the Registered Shareholders undertook that, in the event of death, incapacity, marriage, divorce, bankruptcy or other circumstances that may affect the Registered Shareholders' exercise of shareholding in our Consolidated Affiliated Entity, the Registered Shareholders will ensure that their heirs or transferees of shareholdings in our Consolidated Affiliated Entity will issue the same power of attorney as the Power Attorney before he/she can inherit/undertake all the Registered Shareholders' rights and obligations under the Power of Attorney.

Conflict of Interests

Each of the Registered Shareholders has given his/her irrevocable undertakings in the Powers of Attorney which address potential conflict of interests that may arise in connection with the Contractual Arrangements. For details, please see the paragraph headed "Summary of the material terms of the Contractual Arrangements – Powers of Attorney" in this section.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and the WFOE is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entity. Further, our Consolidated Affiliated Entity is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, the WFOE may provide to or assist our Consolidated Affiliated Entity in obtaining financial support when deemed necessary to ensure that our Consolidated Affiliated Entity meets the requirement of cash flow in daily operation and/or offset any losses incurred in the process of its operation. In addition, given that our Group conducts a portion of its business operations in the PRC through our Consolidated Affiliated Entity, which hold the requisite the PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entity suffer losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of the WFOE, our Consolidated Affiliated Entity shall not, among others: (i) sell, transfer, mortgage, or dispose of any material assets or interest in the material business or revenues of our Consolidated Affiliated Entity for a value more than RMB500,000; (ii) incur, inherit, guarantee, or suffer the existence of any debt, except for payables incurred in the ordinary course of business other than through loans; (iii) provide any person with a loan or credit; (iv) merge, consolidate with, acquire, or invest in any person; (v) distribute dividends to its shareholders; (vi) engage in any transaction which may materially affect its assets,

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obligations, rights or company operation. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from our Consolidated Affiliated Entity can be limited to a certain extent.

Liquidation

Pursuant to the Equity Interest Pledge Agreements, in the event that our Consolidated Affiliated Entity is required by PRC law or upon the written consent by the WFOE to be liquidated or dissolved, any interest distributed to the Registered Shareholders upon our Consolidated Affiliated Entity's dissolution or liquidation shall, upon the request of the WFOE, be (i) deposited into an account designated and supervised by the WFOE and used to secure the obligations and pay the secured indebtedness under the Contractual Arrangements prior and in preference to make any other payment; or (ii) unconditionally donated to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our Consolidated Affiliated Entity under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

As confirmed in the verbal consultations conducted by our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors with the officers of Zhejiang Communications Administration on December 10, 2021 and December 17, 2021, respectively, entering into Contractual Arrangement would not constitute non-compliance with the relevant laws, rules or regulations. Our PRC Legal Advisor is of the view that Zhejiang Communications Administration is the competent authority and the officers interviewed are competent persons to give the above confirmations. Our PRC Legal Advisor is of the opinion that:

- (i) each of the WFOE and our Consolidated Affiliated Entity is legally incorporated and validly existing companies. They have obtained the necessary internal approvals and authorizations for entering into the Contractual Arrangements under PRC laws, and their entry into the Contractual Arrangements does not violate the provisions of their respective articles of association.

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- (ii) the execution and performance of the Contractual Arrangements do not violate the provisions of the Civil Code of the PRC which may lead to their invalidity, and are binding on the parties thereto. The Contractual Arrangements can be enforced in accordance with PRC laws, except that
 - (a) the Contractual Arrangements provide that the arbitrator may impose restrictions on and/or dispose of our Consolidated Affiliated Entity's equity interests or land and other assets (such as for award of remedies), grant injunction (such as for the conduct of business or compelling the transfer of assets), or grant other interim relief, or order winding up of our Consolidated Affiliated Entity through arbitration, and that the courts with jurisdiction (including the courts in Hong Kong, the place of incorporation of the Company, the place of incorporation of the Consolidated Affiliated Entity, and the place where the principal assets of the Company or our Consolidated Affiliated Entity is located) shall have the right to grant interim relief in support of the arbitration, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in our Consolidated Affiliated Entity in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.
 - (b) the Contractual Arrangements provide that when our Consolidated Affiliated Entity is liquidated or dissolved, persons recommended by the WFOE shall be appointed as permitted by the PRC laws to establish a liquidation team to manage the assets of our Consolidated Affiliated Entity, while such arrangements may not be enforceable under PRC laws.
- (iii) the Contractual Arrangements do not require any approvals from the PRC government authorities, except that:
 - (a) the exercise of the option by the WFOE of its rights under the Exclusive Option Agreements to acquire all or part of the equity interests in our Consolidated Affiliated Entity is subject to the approvals of, filing with and/or registrations with the PRC government authorities according to then effective PRC laws;
 - (b) the exercise of the option by the WFOE of its rights under the Exclusive Business Cooperation Agreements to purchase any or all of the assets of our Consolidated Affiliated Entity is subject to the approvals of, filing with and/or registrations with the PRC government authorities according to then effective PRC laws;
 - (c) the equity pledges contemplated under the Equity Interest Pledge Agreements are subject to the registration with the relevant Administration for Market Regulation of the PRC; and

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- (d) it is necessary to apply to the competent PRC court for recognition and enforcement of the effective judgments and rulings made by overseas courts such as Hong Kong and the Cayman Islands on the performance of the Contractual Arrangements.

Our PRC Legal Advisor also 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.

Based on the above analysis and advice from our PRC Legal Advisor, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. Please also see the paragraph headed “Risk Factors – Risks Related to Our Corporate Structure and the Contractual Arrangements – If the PRC government finds that the agreements that establish the structure for operating some of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the Consolidated Affiliated Entity.” in this prospectus for the relevant risk.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, our Consolidated Affiliated Entity will pay services fees to the WFOE, which shall be determined by the WFOE after considering the complexity and difficulty of the services, the title of and time consumed by employees providing the services, the contents and value of the services, the market price of the same type of services, and the operation conditions of our Consolidated Affiliated Entity. Accordingly, the WFOE has the ability, at their sole discretion, to extract all of the economic benefits of our Consolidated Affiliated Entity through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Option Agreements, WFOE is entitled to verify the accounts of our Consolidated Affiliated Entity on a regular basis at any time and get access to information and materials relating to the operation, businesses, customers, finance and employees. WFOE also has absolute contractual control over the distribution of dividends to the Registered Shareholders as the WFOE’s prior written consent is required before any distribution can be made. The Registered Shareholders shall promptly donate any profits, interests, dividends, or proceeds of liquidation to WFOE or any other person designated by WFOE to the extent permitted under the applicable PRC laws.

As a result of these Contractual Arrangements, our Company exercises control over the operations of our Consolidated Affiliated Entity and receives substantially all of their economic benefits and residual returns. Accordingly, our Consolidated Affiliated Entity’s

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results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. The basis of consolidating the results of our Consolidated Affiliated Entity is disclosed in note 2 to the Accountant's Report in Appendix I to this prospectus.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports;
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and our Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements;
- (v) since the Contractual Arrangements will constitute continuing connected transactions of our Group following the completion of the Global Offering, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver, details of which are set out in the section headed "Connected Transactions" in this prospectus. Our Company will comply with the conditions prescribed by the Stock Exchange under the waiver given; and
- (vi) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable to hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority grants the relevant value-added telecommunication business operation license to Sino-foreign equity joint ventures or wholly-owned foreign investment entities in practice under relevant PRC laws and regulations.

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DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprises Law of the PRC (《中華人民共和國外資企業法》) and become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Rules on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of our Consolidated Affiliated Entity, by the WFOE, through which we operate our business in the PRC. As advised by our PRC Legal Advisor, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, please see the paragraph headed “– Legality of the Contractual Arrangements” in this section.

The Foreign Investment Law also stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods.” As such, we are advised by our PRC Legal Advisor that the relevant agreements under the Contractual Arrangements do not contravene the Foreign Investment Law in any material respect. However, we are further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC government authorities will not in the future take the view that is contrary to the above opinions of our PRC Legal Advisor. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the

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above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entity will not be materially and adversely affected in the future due to changes in PRC laws and regulations. For the relevant risk, please see the paragraph headed “Risk Factors – Risks Related to Our Corporate Structure and the Contractual Arrangements” in this prospectus.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021, including the notes thereto, included in the Accountant's Report in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with U.S. GAAP.

The Stock Exchange has granted us a waiver from strict compliance with the requirements of Rules 4.10, 4.11, 19.13 and 19.25A of, and note 2.1 to paragraph 2 of the Appendix 16 to, the Listing Rules, to allow us to prepare the Accountant's Report set out in Appendix I in conformity with U.S. GAAP, provided that a reconciliation of such financial information in accordance with IFRS, is included in this prospectus. In addition, the Stock Exchange has allowed us to prepare our accounts in accordance with U.S. GAAP after listing for the purposes of our financial reporting required under the Listing Rules, subject to the condition that, among others, our annual consolidated financial statements should include a reconciliation of our financial information in accordance with IFRS in the form and substance adopted in Appendix I to this prospectus.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. For further details, see "Forward-Looking Statements."

OVERVIEW

We established the world's first IoT cloud development platform, according to CIC. We deliver a variety of offerings through our IoT cloud development platform. Our IoT PaaS enables brands, OEMs, and developers to develop, launch, manage and monetize smart devices and services. Our Industry SaaS offering enables businesses to deploy, connect, and manage large numbers and different types of smart devices. We also offer businesses, developers and end users a diverse range of cloud-based value-added services to improve their ability to develop and manage IoT experiences.

We have cultivated a large and diversified customer base. We had approximately 5,000 and 8,400 customers, respectively, in 2020 and 2021, primarily including brands, OEMs, industry operators and system integrators. For the same periods, our IoT PaaS empowered approximately 2,700 and 4,100 brands, respectively, to develop their smart devices, including leading brands such as Calnex, Philips and Schneider Electric. Our IoT PaaS currently enables businesses and developers across over 200 countries and regions globally to develop smart devices in more than 2,200 categories. We are the largest IoT PaaS provider in the global

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market of IoT PaaS as a subset of the broader IoT industry in terms of the volume of smart devices powered in 2021, according to CIC. We are also attracting an increasing number of Industry SaaS customers. We have also established a large and active community of over 510,000 registered IoT device and software developers as of December 31, 2021. Smart devices powered by Tuya are available in approximately 120,000 stores all over the world as of the Latest Practicable Date.

Our platform benefits from network effects driven by our ecosystem of developers, businesses, partners and end users. End users of smart devices demand a single interface to interact with various types of devices from different brands – an experience similar to using different apps on one smartphone. Our platform provides an open architecture to connect any device from any brand, while enabling users to manage all devices across brands through a single portal. As a result, we believe that as our platform continues to grow, more brands and OEMs want to join our platform to integrate their devices into the single user interface through which devices from other brands are connected. These self-reinforcing network effects further increase our brand awareness and generate word-of-mouth referrals, helping us build an extensive, vibrant and increasingly interconnected IoT ecosystem.

Our offerings enable customers across broad range of industry verticals, such as smart home, smart business, healthcare, education, agriculture, outdoors and sport, and entertainment. We help our customers succeed and benefit from their long-term growth through our consumption-based revenue model of our IoT PaaS as we deploy IoT PaaS on more smart devices developed by our customers. We had 311 premium IoT PaaS customers, defined as IoT PaaS customers who individually contributed more than US\$100,000 of revenue during the immediately preceding 12-month periods, as of December 31, 2021. In 2021, our premium IoT PaaS customers contributed approximately 88.6% of our revenues generated from IoT PaaS. Our dollar-based net expansion rate of IoT PaaS was 153% for the trailing 12-month period ended December 31, 2021, indicating strong growth within our existing customer base.

Our revenue grew rapidly during the Track Record Period. Our revenues increased by 70.0% from US\$105.8 million for 2019 to US\$179.9 million for 2020 and further increased by 67.9% to US\$302.1 million for 2021. We recorded net loss of US\$70.5 million, US\$66.9 million and US\$175.4 million in 2019, 2020 and 2021, respectively. In 2019, 2020 and 2021, our adjusted loss (non-GAAP financial measure) was US\$65.3 million, US\$57.5 million and US\$109.3 million, respectively. For an explanation of our reasons for using adjusted loss, a non-GAAP financial measure, and a reconciliation of adjusted loss (non-GAAP financial measure) to net loss, see “– Non-GAAP Financial Measure.”

Currently, we offer the following major products and services:

IoT PaaS

Our IoT PaaS is an integrated, all-in-one product that enables customers to build and manage software-enabled IoT devices. Our IoT PaaS serves both brands and OEMs. We typically do not enter into agreements directly with the brands and instead enter into

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agreements with their contracted OEMs. In these circumstances, we consider such OEMs to be our customers. In limited circumstances, we also enter into agreements directly with brands in relation to certain value-added services, in which case we also consider such brands to be our customers.

Our IoT PaaS combines cloud-based connectivity and basic IoT services, edge capabilities, app development, and device optimization solutions, which we believe are the most fundamental elements of technology enabling a product to become smart. We generate revenue from the fees we charge for these capabilities as a single, integrated offering and generally do not make any one of these capabilities available without the others. We believe that an integrated approach helps improve the value and usage of our IoT PaaS. We call a smart device on which our IoT PaaS is deployed a “deployment” of IoT PaaS. The fees that we charge IoT PaaS customers are based on the number of IoT PaaS products that are deployed. As a result, our revenue from IoT PaaS grows as the number of deployments increases. We typically do not impose minimum order requirements or usage requirements on customers, making us a valuable partner for newcomers to the IoT space as we enable them to kick-start their ventures with little upfront cost.

In addition, we offer a membership program to our customers that gives them the option to pay a membership fee primarily in exchange for IoT PaaS discounts based on tiered membership status in accordance with their expected deployment volume. The membership program allows us to foster long-term relationship with our customers.

SaaS and others

We offer Industry SaaS, focused software solutions that enable businesses to deploy, connect, and manage large numbers and different types of IoT devices, driving efficiency, cost saving and productivity. Currently, we charge our Industry SaaS customers a basic annual subscription fee that allows them to support certain number of user accounts initially, plus, in some cases, an incremental fee annually for each additional user account. We may also charge a one-time project-based fee, particularly for new key-account customers with tailored-made needs. We primarily market our Industry SaaS to system integrators with leading positions in their respective verticals and geographies, so that we can leverage their industry expertise and existing customer relationships to quickly gain market shares and build brand awareness.

We also generate a portion of our SaaS and others revenues from (i) certain services we offer to brands and OEMs that are complementary to IoT PaaS, as well as (ii) cloud-based services we offer directly to end users of Tuya-powered smart devices. The complementary services for IoT PaaS customers primarily include Tuya Mall and AI-powered virtual assistants, as well as a variety of other value-added services, such as device testing, product certification and joint research and development of innovative IoT applications, among other things. The cloud-based services for end users include basic services, such as app updates offered for free, and a curated suite of services for a fee, such as messaging and content push.

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Smart Device Distribution

Some of our customers, primarily brands and system integrators, prefer not to directly deal with multiple OEMs. These customers have the option to purchase directly from us finished smart devices with IoT PaaS deployed sourced from qualified OEMs. We earn the difference between the prices at which the products are sourced and sold. We also provide customers with the access to Tuya Expo, a dedicated business-to-business (B2B) platform connecting brands globally with an extensive network of OEMs. Tuya Expo is currently offered for free.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are affected by the general factors driving the global IoT industry, including, among others, economic growth of major economies, the increase in per capita disposable income, consumer demand for smart devices, stability of the global supply chain, any global epidemics, new and innovative technologies, competition, and government regulations. Unfavorable changes in any of these general industry conditions could negatively affect demand for our products and services and materially and adversely affect our results of operations.

In addition, we believe our results of operations are primarily and more directly affected by the following specific factors:

Market Adoption of IoT Cloud Development Platform

Our future success depends in large part on the market adoption of IoT cloud development platforms which, in turn, is driven by the proliferation of smart devices. As technologies advance, businesses and end users increasingly demand superior software experience, driving IoT adoption to an inflection point. However, brands and developers still face certain challenges, such as cost and complexity associated with developing an integrated IoT cloud development platform. We see growing demand for our platform because we are in a unique position to deliver a one-stop, developer-first, cloud-agnostic IoT platform with broad use cases that allows our customers to digitalize their businesses and transform the experience of their end users. We believe that the benefits offered by our platform put us in a strong position to capture significant market opportunities ahead.

Expanding Usage by Existing Customers

We have amassed a large and diversified customer base covering a wide spectrum of verticals. We believe that there are significant growth opportunities within our existing customers. As our platform is built to be product- and brand-agnostic, many customers using our IoT cloud development platform for one product category expand to more brands, categories and use cases in order to maximize the benefits of our platform and ensure consistent, high quality IoT experience for their end users. Through the increase in usage, we grow more brands and OEMs on our platform into larger customers, such as premium

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customers who contribute more than US\$100,000 of revenue during the immediately preceeding 12-month period. As this trend continues, our brand awareness also increases, generating word-of-mouth referrals that not only attract more brands, developers and partners, but also lead to growing end user demand, better user insights and a more vibrant IoT ecosystem. We expect to expand into additional product categories and use cases to expand cross- and up-selling opportunities and continue to invest in sales and marketing and customer success activities to achieve additional revenue growth from existing customers. We believe that these efforts will have a long-term, positive impact on our business and results of operations.

New Customer Acquisition

Our operating results and growth prospects will also depend on our ability to attract new customers. We are intensely focused on growing our customer base. We continue to invest in our sales and marketing efforts and developer community outreach, which are critical to driving customer acquisition. We have built a developer and partner network through effective marketing efforts which continuously raise awareness of our IoT cloud development platform. For example, through our self-service developer portal, a developer can use our platform to develop a smart device within minutes. This has allowed us to acquire customers rapidly and cost-effectively. Furthermore, we seek to improve the breadth and quality of our platform and products, and to enhance our brand recognition, which will allow us to capture additional market share, better optimize the pricing of our products and services, and reach customers in a broader range of verticals and use cases.

Investment for Growth

We are committed to delivering industry-leading products to continue building and maintaining credibility with the global IoT community. We believe that the comprehensive product offerings and our continued efforts to introduce new features and capabilities on our platform provide us with a significant competitive advantage. We will continue to enhance our platform by expanding functions of existing products, developing new products, and delving into more verticals and use cases to support the growth of our business, and to invest heavily in our technological capabilities and marketing activities to maintain our strong position in the developer community.

Seasonality

We have in the past experienced, and expect in the future to continue to experience, seasonal fluctuations in our revenue from time to time, with the fourth quarter historically being our strongest quarter for sales to new and existing customers, as a result of the holiday season and customers' buying patterns. We have experienced lower growth in revenue in the first quarter as a result the reduced output of OEM customers located in China due to the Lunar New Year holidays. As an illustration of such seasonality, we had approximately 3,000 customers who generated revenues ("revenue-generating customers") in the first quarter of 2021, decreasing from approximately 3,400 revenue-generating customers in the fourth quarter

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of 2020. Our revenue-generating customers then increased to approximately 3,700 in the second quarter of 2021. We expect the historical seasonality trends to continue to impact our results of operations and financial condition.

Revenue Mix

Our products and services primarily consist of IoT PaaS, smart device distribution, Industry SaaS and cloud-based value-added services. Our results of operations are affected by our product mix, as different products have a range of different margins and profitability profiles. For example, an increase in the revenue contribution from Industry SaaS, which typically has a higher margin than IoT PaaS or smart device distribution, generally leads to an increase in our overall profit margin. Our product mix may shift over time due to a variety of factors, including customer demands and preferences, competition, our ability to maintain and expand customer relationships, our ability to forecast market and technology trends, and our sales and marketing efforts. We continuously monitor our revenue mix and seek to increase revenue contribution from products and use cases with attractive margin profiles.

Effective Cost and Expense Control

Our results of operations are affected by our ability to control our costs and operating expenses. Since a significant portion of our costs relates to the modules and cloud infrastructure services from third parties, our cost control depends significantly on our ability to estimate customer demand properly in order to inform our procurement decisions. With respect of product development, we intend to optimize our costs and operating expenses by achieving increasing economies of scale and improved cost-efficiency as we continue to invest in R&D. With respect to sales and marketing expenses, we expect to continue to benefit increasingly from the network effect of our enhanced brand awareness. We also intend to optimize our administrative expenses by enhancing our level of management, streamlining our internal workflows, and leveraging technology to drive convenience, cost-efficiency and productivity.

Effect of Currency Translation

We currently derive the majority of our revenues from IoT PaaS generated primarily through our contracts with OEMs located in the PRC. These revenues are predominantly denominated in RMB. We operate internationally with local offices in the U.S., India, Germany, and Japan, among other locations, and expect that our international activities will continue to grow over the foreseeable future as we pursue opportunities in existing and new markets. Our reporting and functional currency is the U.S. dollar. The financial statements of our subsidiaries and consolidated affiliated entities using functional currencies other than the U.S. dollar, such as RMB, are translated to the U.S. dollar. As a result, as RMB or other currencies in which we generate revenue depreciate or appreciate against the U.S. dollar, our revenue presented in U.S. dollars will be negatively or positively affected. See “– Quantitative and Qualitative Disclosure about Market Risk – Foreign exchange risk.”

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KEY OPERATING METRICS

We manage our business using the following key operating metrics. We use these metrics to assess the progress of our business, make decisions on how to allocate capital, time and technology investments.

		For the year ended December 31,		
		2019	2020	2021
Number of IoT PaaS customers		2,328	3,296	5,527

		For the trailing 12-month period ended December 31,		
		2019	2020	2021
Number of premium IoT PaaS customers		127	188	311

		For the trailing 12-month period ended									
		December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
Dollar-based net expansion rate for IoT PaaS ⁽¹⁾		188%	173%	160%	179%	181%	210%	211%	179%	153%	122%
Number of IoT PaaS customers in the cohort ⁽²⁾		468	718	983	1,309	1,525	1,662	1,891	1,946	2,080	2,179
Revenue contribution by the cohort ⁽³⁾		71.2%	79.5%	81.9%	91.7%	91.2%	91.0%	88.2%	86.9%	89.1%	90.2%

Notes:

- (1) To calculate the dollar-based net expansion rate for IoT PaaS for the current period, we first specify a measurement period consisting of the trailing two years from the current period end. Next, we define as our “cohort” the population of IoT PaaS customers for the first year of the measurement period (i.e. those who have placed at least one order for IoT PaaS during that year). We then calculate the dollar-based net expansion rate as the quotient obtained by dividing the IoT PaaS revenues from this cohort in the second year of the measurement period by the IoT PaaS revenue from the same cohort in the first year of such measurement period.
- (2) See footnote (1) above for the definition of “cohort” for a given period.
- (3) Revenue contribution by the cohort for a given period is calculated by dividing the IoT PaaS revenue generated by the cohort in the trailing 12-month period from the period end, by our total IoT PaaS revenue for the same trailing 12-month period. See footnote (1) above for the definition of “cohort” for a given period.

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Number of IoT PaaS Customers

Our ability to grow the number of IoT PaaS customers is a key indicator of our business and future growth opportunities. We define an IoT PaaS customer for a given period as a customer who has directly placed at least one order for IoT PaaS with us during that period. While we serve both brands and OEMs, it is typically the OEMs, instead of brands, who directly place orders with us for IoT PaaS.

Number of Premium IoT PaaS Customers

While we continue to grow IoT PaaS customers across all sizes, over time, we focus on growing the number of our premium customers to scale our business. We define a premium IoT PaaS customer as a customer as of a given date that contributed more than US\$100,000 of revenue during the immediately preceding 12-month period.

Dollar-based Net Expansion Rate for IoT PaaS

Our ability to maintain long-term revenue growth depends on our ability to increase customers' usage of our platform over time and grow revenues generated from existing customers. An important way for us to track our performance in this area is by measuring dollar-based net expansion rate for our IoT PaaS. The dollar-based net expansion rate for our IoT PaaS is affected by customers' purchase cycles, which could fluctuate from time to time within a year, as well as a number of other factors including but not limited to new product introductions, customer mix, promotional activities, and the variable timing and amount of customer purchases. As a result, the dollar-based net expansion rate for our IoT PaaS for the trailing 12-month period ended the last day of each quarter is an inherently volatile metric. Our dollar-based net expansion rate for IoT PaaS has remained higher than 120% for ten consecutive quarters since we began tracking this metric for the trailing 12-month period ended December 31, 2019. Our dollar-based net expansion rate demonstrates our strong ability to continue to expand customers' usage of our platform over time and grow revenue generated from existing customers.

As a result of the impacts of COVID-19, such as reduced or halted production of OEMs, global supply chain challenges, and our reduced marketing spend due to travel restrictions, the dollar-based net expansion rate for our IoT PaaS decreased from 188% for the trailing 12-month period ended December 31, 2019 to 173% for the trailing 12-month period ended March 31, 2020 and further to 160% for the trailing 12-month period ended June 30, 2020. The dollar-based net expansion rate for our IoT PaaS decreased from 211% for the trailing 12-month period ended June 30, 2021 to 179% for the trailing 12-month period ended September 30, 2021, and further to 153% for the trailing 12-month period ended December 31, 2021 and 122% for the trailing 12-month period ended March 31, 2022, primarily because our customers became more prudent in their purchases in light of the continued global supply chain disruptions and continued COVID-19 pandemic which have weakened end users' willingness to purchase discretionary consumer products, including IoT devices.

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IMPACT OF COVID-19

The COVID-19 pandemic, including the recent emergence of the Omicron variant globally, has caused temporary disruption to our business operations. For example, in the first quarter of 2020, we experienced a decline in demand for IoT PaaS due to reduced production capacity of OEMs as COVID-19 containment measures were widely introduced across China, where substantially all of them were located, which adversely affected our results of operations in that quarter. In the first quarter of 2022, heightened preventive measures taken across multiple regions in China in response to the recent recurrence of the COVID-19 outbreak have negatively affected our sales and operations, including delays in placed orders, as well as the delivery and acceptance by customers of our products. Our IoT PaaS revenue in the first quarter of 2022 decreased by 16.1% to US\$41.8 million from US\$49.8 million in the same period of 2021, in part due to such impact of COVID-19. The pandemic has also caused significant logistical challenges to the global supply chains, resulting in disrupted shipping lanes, labor and material shortage and weakened consumer demand for smart devices, all of which have negatively impacted our business and results of operations. Due to the impacts of COVID-19, including reduced or halted production of OEMs, global supply chain challenges, and our reduced marketing spend due to travel restrictions, the dollar-based net expansion rate for our IoT PaaS decreased from 188% for the trailing 12-month period ended December 31, 2019 to 173% for the trailing 12-month period ended March 31, 2020 and further to 160% for the trailing 12-month period ended June 30, 2020. The pandemic has also contributed to the decline in our dollar-based net expansion rate for our IoT PaaS from 211% for the trailing 12-month period ended June 30, 2021 to 179% for the trailing 12-month period ended September 30, 2021, and further to 153% for the trailing 12-month period ended December 31, 2021 and 122% for the trailing 12-month period ended March 31, 2022. See “Financial Information – Key Operating Metrics.” Additionally, the travel restrictions and social distancing guidelines imposed by governments globally have reduced international travels and in-person meetings, which in turn limited our ability to engage in in-person marketing with brands, particularly those brands based in the U.S. and Europe. There remain significant uncertainties associated with the COVID-19 pandemic, including with respect to the ultimate spread of the virus, the severity of the disease, the duration of the pandemic and further actions that may be taken by government authorities around the world to contain the virus or to treat its impact, and the full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted. See “Risk Factors – Risks Related to Our Business and Industry–The COVID-19 pandemic has disrupted our and our business partners’ operations and it, or any future health epidemic or other adverse public health developments, may continue to do so.” As of the date of this prospectus, we have received various COVID-19 related government support and subsidies. These government support and subsidies include a reduction granted by the PRC government of approximately RMB36.4 million in our contributions to our employees’ social security scheme and subsidies of approximately US\$0.1 million provided to our U.S. and Hong Kong subsidiaries by the respective local governments.

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Despite its temporary impacts on our business and results of operations, we believe COVID-19 has brought positive changes for the IoT sector in the long term. The value of software-enabled IoT experience and the connectivity, convenience and efficiency that it enables is heightened throughout the pandemic. People's interactions with IoT devices have increased as they continue to work, learn, and play from home. Businesses and organizations are increasingly relying on IoT technologies to perform tasks that can be no longer handled manually due to COVID-19 related restrictions and closures. We expect this trend to continue post-pandemic, driving demand for quality IoT products and services in the long run. To capture this growth opportunity, we intend to continue to invest in growing our customer, developer and partner bases, broadening our product offerings, and expanding our brand awareness.

BASIS OF PREPARATION

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). Principal accounting policies followed by us in the preparation of the accompanying consolidated financial statements are summarized below.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, long-lived assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reporting periods in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in our consolidated financial statements include, but are not limited to reserve for excess and obsolete inventories, allowance for doubtful accounts, product warranties, internal-use software development costs, valuation allowance for deferred tax assets, the carrying value of operating lease right-of-use assets, stand-alone selling prices (SSP) for each distinct performance obligation, the valuation of ordinary shares and share-based compensation. Estimates are based on historical experiences and on various assumptions that we believe are reasonable under current circumstances. As of December 31, 2019, 2020 and 2021, we considered the economic implications of the COVID-19 on our significant judgments and estimates. Given that changes in circumstances, facts and experience may cause us to revise our estimates, actual results could differ materially from those estimates.

Revenue Recognition

We account for revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue From Contracts With Customers (ASC 606) for all periods presented. According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. We determine revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance

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obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. We assess our revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Revenue arrangements with multiple performance obligations are divided into separate distinct goods or services. We allocate the transaction price to each performance obligation based on the relative standalone selling price of the goods or services provided.

I. Revenue from IoT PaaS

Our IoT PaaS combines cloud-based connectivity and basic IoT services, edge capabilities, device optimization solutions, and app development. Customers are charged based on the number of IoT PaaS product to be deployed on smart devices. We determined there are two distinct performance obligations in the delivery of IoT PaaS including (1) IoT PaaS product with edge capabilities, device optimization solutions and app development; and (2) cloud-based connectivity and basic IoT services provided to customers and end consumers. We allocate the transaction price to each performance obligation based on their relative standalone selling price. The standalone selling price for IoT PaaS is estimated based on the competitor's pricing for similar products in the market, adjusted for entity-specific factors. As the standalone selling price of the cloud-based connectivity and basic IoT services is not directly observable, we estimate it by using an expected cost plus a margin approach. Key areas of judgment include the selection of relevant cloud and other costs necessary to satisfy the performance obligation and estimated profit margins. For the delivery of IoT PaaS product, revenue is recognized when IoT PaaS products are accepted by customers, which is the point when control of the product is transferred to the customers. A receivable is recognized when the IoT PaaS products are delivered and accepted by customers as this is the point in time that the consideration is unconditional. For cloud-based connectivity and basic IoT services, revenue is deferred and subsequently recognized from the end consumer's activation to the end of the estimated IoT PaaS product's life cycle on a straight-line basis. Based on our historical information, activation occurs, on average, an estimated 6 months after the IoT PaaS products are delivered to customers. The length of life cycle of the IoT PaaS products is estimated based on the historical data in previous years and by referencing the life cycle of different smart devices (e.g. lighting, security and monitoring devices) which ranged from 1.5 to 2 years.

Return allowances for IoT PaaS products are estimated based on historical experiences and accounted for as reduction of net revenue.

We provide sales rebates to customers from time to time, which is accounted for as reduction of net revenue.

We started a membership program (the “**2019 Membership Program**”) in the fourth quarter of 2019. In the 2019 Membership Program, customers pay a fixed fee in exchange for IoT PaaS discount, VIP technical support, value-added services (“VAS” i.e. customized app development), and free participation in promotional activities. The promise to provide technical support related services, the promotion related services and VAS are considered

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immaterial promises in the contract and are not considered distinct performance obligations. The membership fee is refundable if the volume requirements are met when the membership period ends. Historically we generally refund the membership fees even if the volume requirements are not met. Therefore, we do not expect being able to keep any of the membership fees and such fees are recorded as a refund liability under the 2019 Membership Program.

We launched a new membership program (the “**2020 Membership Program**”) in the fourth quarter of 2020 and no longer offered 2019 Membership Program ever since. In the 2020 Membership Program, customers pay a non-refundable fixed fee in exchange for member-exclusive IoT PaaS discounts within the membership period of typically 12 months. We record the upfront fixed membership fee as a deferred revenue and recognizes revenue on a straight-line basis typically over the 12-month membership period in which customers entitle to the membership.

II. Revenue from smart device distribution

In certain circumstances, we offer select brands, primarily customers who prefer not to deal with multiple OEMs, an option to purchase directly from us finished smart devices where IoT PaaS is deployed. After the brands place purchase orders directly with us, we then source the appropriate smart devices from OEMs based on the type of devices, hardware specifications and other metrics. We determine that there are two distinct performance obligations for its smart device distribution including the (1) smart devices embedded with IoT PaaS; and (2) cloud-based connectivity and basic IoT services. The transaction price allocation and revenue recognition are the same as the revenue from IoT PaaS.

We present the revenue generated from its smart device distribution on a gross basis as we have control of the smart devices before they are transferred to the brand customers. In making this determination, we conclude that it meets the principles of control and that it is the primary obligor to the brand customers, are subject to inventory risk and have latitude in establishing prices.

III. Revenue from SaaS and others

SaaS and other revenue mainly include industry SaaS, customized software development and configuration, and other VAS to both business customers and end consumers.

Industry SaaS is a vertical-focused software solution that enables businesses to deploy, connect, and manage large numbers of smart devices for which we generally charge an annual subscription fee. These services include software authorization and standard SaaS platform maintenances and technical support.

Customized software development and configuration mainly relate to contracts for the specific IT needs of the brands. The contracts generally include fixed milestone payments determined based on expected labor hours to complete the milestone.

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VAS primarily includes complementary services that are provided to brands and OEMs such as app launch and AI-powered virtual voice assistants. Such arrangements with the customers are short term and the performance obligations are satisfied at one point of time. VAS also include cloud-based services for the end customers such as push messaging, object detection and digital content.

There are different kinds of contracts included in the SaaS and others, and each contract may contain multiple elements. We identify the distinct performance obligations and allocates transaction price to each distinct performance obligation based on relative estimated standalone selling price. Revenue is recognized when the performance obligations are satisfied, which is either over the period of time in which we perform these services or at one point of time.

Remaining performance obligations

The remaining performance obligations primarily relate to our provision of i) cloud-based connectivity and basic IoT services; ii) membership services; and iii) SaaS and others, and all three of them are included in deferred revenue.

The amounts allocated to the cloud-based connectivity and basic IoT services are deferred and recognized on a straight-line basis over the estimated IoT PaaS product's life cycle. We apportion deferred revenue between current and non-current based upon cloud-based connectivity and basic IoT services to be provided over the life cycle of smart devices. Deferred revenue relating to our cloud services that have an expiration date of less than 12 months are classified as current, otherwise non-current.

Starting from the fourth quarter of 2020, there are i) upfront fixed membership fee received and recorded as part of the deferred revenue, it is recognized as revenue on a straight-line basis typically over the 12-month membership period in which customers are entitled to the membership; and ii) amounts related to providing Industry SaaS (included in SaaS and others), in general, we charge annual subscription fee, which is deferred and recognized on a straight-line basis typically over the 12-month service period.

We provide warranty for IoT PaaS and smart device distribution mainly for one year. We accrue a warranty reserve for all IoT PaaS and smart device distribution, which include our best estimate of the projected costs to repair or replace items under warranties. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve when we accumulate more actual data and experience in the future. The warranty reserve expected to be incurred is included within accruals and other liabilities in our consolidated balance sheets.

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Share-based Compensation

We grant restricted shares to the Registered Shareholders (also as key members of the management) and our share options to eligible employees and non-employees. We account for these share-based awards in accordance with ASC 718 Compensation – Stock Compensation.

The Registered Shareholders and employees' share-based awards are measured at the grant date fair value of the awards and recognized as expenses using a straight-line method over the requisite service period, which is the vesting period. For share-based awards granted with only service conditions to its PRC employees, we allow accelerated full vesting upon occurrence of a Change in Control (as defined in our 2015 Equity Incentive Plan), cumulative share-based compensation expenses for the share-based awards should be recorded upon the completion of the Change in Control.

For non-employees' share-based awards, we adopted ASU 2018-07 "Improvements to Non-employee Share-Based Payment Accounting" for the periods presented. In accordance with ASU 2018-07, we clarify that equity-classified non-employee share-based awards are measured at the grant date. The definition of the term grant date is amended to generally state the date at which a grantor and a grantee reach a mutual understanding of the key terms and conditions of a share-based payment award. Non-employee share-based awards are measured at the grant date fair value of the awards and recognized as expenses using a straight-line method over the requisite service period, which is the vesting period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividend yield. Binomial option-pricing model incorporates the assumptions about grantees' future exercise patterns. The fair value of these awards was determined by management with the assistance from an independent valuation firm using management's estimates and assumptions.

The assumptions used in share-based compensation expense recognition represent management's best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards. In accordance with ASU 2016-09, we made an entity-wide accounting policy election to account for forfeitures when they occur.

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Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, we consider the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.
- Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Our financial assets and liabilities mainly consist of cash and cash equivalents, restricted cash, short-term investments, account receivables, notes receivable, certain other current assets, long-term investments, trade payables and certain accruals and other liabilities. As of December 31, 2019, except for short-term investments, the carrying values of these financial instruments approximated their fair values due to their short-term maturity. As of December 31, 2020, except for short-term investments and equity securities with readily determinable fair value included in long-term investments, the carrying values of these financial instruments approximated their fair values due to their short-term maturity. As of December 31, 2021, except for short-term investments, debt securities and equity securities with readily determinable fair value included in long-term investments, the carrying values of these financial instruments approximated their fair values due to their short-term maturity. We report equity securities with readily determinable fair value included in short-term investments at fair value and discloses the fair value of these investments based on level 1 measurement. We

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report time deposits and wealth management products included in short-term investments and the derivative instrument included in prepayment and other current asset at fair value, and discloses their fair value based on level 2 measurement. We report equity securities with readily determinable fair value included in long-term investments at fair value and discloses the fair value of these investments based on level 2 measurement. We report investments in available-for-sale debt securities included in long-term investments at fair value and discloses the fair value of these investments based on level 3 measurement.

For the available-for-sale debt investments, it represents our shareholding interests in several investees which are privately held companies, acquired with cash consideration. If the investees fail to meet certain predetermined conditions, we have the right to request each investee to redeem our investments at our investment cost plus the interest at predetermined interest rate. The redeemable shares of the investees purchased by us were classified as available-for-sale debt investments and were measured at their fair value in accordance with U.S. GAAP.

In relation to the valuation of our Level 3 financial instruments, with reference to the “Guidance note on directors’ duties in the context of valuations in corporate transactions” issued by the SFC, we have adopted the following procedures: (i) reviewing the terms of the share purchase agreements, shareholder agreements and articles of association; (ii) engaging independent valuer to perform valuation procedures with necessary financial and non-financial information and discussed with the valuer on the relevant assumptions; (iii) carefully considering all information especially those non-market related inputs, such as fair value of the ordinary shares and preferred shares of the investees, probabilities under different scenarios, time to exercise the liquidation or redemption preference, determination of risk-free rates and expected volatilities; and (iv) reviewing the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the Level 3 fair value measurements in our financial statements are properly prepared.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, are disclosed in Note 2(e) to the Accountant’s Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

Based on the due diligence work conducted by the Joint Sponsors, including but not limited to (i) conducting due diligence interview with the Company and external valuer engaged by the Company to understand on, amongst other things, the nature and details of the financial assets categorized with Level 3 of fair value measurement, the relevant valuation work performed, and the methodology, assumptions and key parameters adopted for the

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valuation of such financial assets; (ii) discussing and conducting due diligence interview with the Reporting Accountant to understand the audit procedures performed in relation to the valuation of the financial assets for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole and reviewing the relevant notes in the Accountant's Report as contained in Appendix I to this prospectus; (iii) reviewing the valuation analysis prepared by the external valuer engaged by the Company; and (iv) obtaining and reviewing the credentials of the external valuer engaged by the Company, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to raise further question on the valuation analysis in relation to the Group's financial assets categorized with Level 3 of fair value measurement performed by the Company and the unqualified opinion on the historical financial information of the Group as a whole to be issued by the Reporting Accountant.

DESCRIPTION OF KEY COMPONENTS OF CONSOLIDATED STATEMENTS OF LOSS

The table below sets forth our consolidated statements of loss for the years indicated derived from the Accountant's Report included in Appendix I to this prospectus:

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Consolidated Statements of Comprehensive Loss			
Revenue	105,789	179,874	302,076
Cost of revenue	(78,003)	(117,937)	(174,209)
Gross profit	27,786	61,937	127,867
Operating expenses:			
Research and development expenses ⁽¹⁾	(52,003)	(77,430)	(174,289)
Sales and marketing expenses ⁽¹⁾	(37,017)	(37,556)	(75,384)
General and administrative expenses ⁽¹⁾	(12,196)	(17,868)	(71,589)
Other operating (expenses)/incomes, net	(10)	1,071	9,835
Total operating expenses	(101,226)	(131,783)	(311,427)
Loss from operations	(73,440)	(69,846)	(183,560)
Other income/(loss):			
Other non-operating incomes, net	—	—	1,958
Financial income, net	3,326	3,220	7,286
Foreign exchange loss, net	(239)	(80)	(618)
Loss before income tax expense	(70,353)	(66,706)	(174,934)
Income tax expense	(124)	(206)	(490)
Net loss attributable to Tuya Inc.	(70,477)	(66,912)	(175,424)

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Note:

(1) Includes share-based compensation expenses as follows:

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Research and development expenses	1,218	2,596	14,542
Sales and marketing expenses	1,109	1,529	6,702
General and administrative expenses	2,893	5,321	44,845
Total	5,220	9,446	66,089

Non-GAAP Financial Measure

We use adjusted loss, which is a non-GAAP financial measure, in evaluating our operating results and for financial decision-making purposes. We believe that adjusted loss (non-GAAP financial measure) provides useful information about our results of operations and enhances the overall understanding of our past performance and future prospects. We believe that such non-GAAP measure facilitates comparisons of financial performance from year to year and company to company. We believe that non-GAAP financial measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.

The use of non-GAAP measures has limitations as an analytical tool. Adjusted loss (non-GAAP financial measure) should not be considered in isolation or construed as an alternative to loss from operations or net loss. Investors are encouraged to review adjusted loss for the year and the reconciliation to its most directly comparable U.S. GAAP measure. Adjusted loss (non-GAAP financial measure) for the years indicated presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

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Adjusted loss, a non-GAAP financial measure, represents net loss excluding share-based compensation expenses. The table below sets forth a reconciliation of our net loss to adjusted loss for the years indicated. Share-based compensation expenses relate to the share-based awards that we grant to employees and directors.

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Net loss	(70,477)	(66,912)	(175,424)
Adjustment:			
Share-based compensation expenses	5,220	9,446	66,089
Adjusted loss (non-GAAP financial measure)	(65,257)	(57,466)	(109,335)

We recorded adjusted loss (non-GAAP financial measure) of US\$65.3 million, US\$57.5 million and US\$109.3 million, respectively, in 2019, 2020 and 2021, primarily because we have been focused on expanding our IoT cloud development platform, growing our customer base and fostering our developer community, rather than seeking immediate financial returns or profitability, in order to lay a solid foundation for our long-term growth. See “Business – Business Sustainability” for a detailed discussion of our historical loss-making position and path to future profitability.

Revenues

We generate revenues from three sources, namely (i) IoT PaaS; (ii) smart device distribution; and (iii) SaaS and others. The following table sets forth a breakdown of our revenues by products and services in absolute amounts and as percentages of total revenues for the years indicated.

	For the year ended December 31,					
	2019		2020		2021	
	<i>US\$</i>	<i>%</i>	<i>US\$</i>	<i>%</i>	<i>US\$</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Revenues						
IoT PaaS	76,365	72.2	151,677	84.3	261,360	86.5
Smart device distribution	27,474	26.0	22,071	12.3	22,153	7.3
SaaS and others	1,950	1.8	6,126	3.4	18,563	6.2
Total	105,789	100.0	179,874	100.0	302,076	100.0

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IoT PaaS. We generate IoT PaaS revenue mainly from the fees charged to customers based on the number of IoT PaaS products we deploy. During the Track Record Period, the significant increase in our revenue generated from IoT PaaS was mainly driven by increased deployment of IoT PaaS which, in turn, was driven by (i) growth in the SKUs and categories of products supported by IoT PaaS; (ii) increased sales to existing customers as their sale of smart devices continued to grow, particularly to premium IoT PaaS customers; and (iii) acquisition of new customers.

Smart device distribution. We generate revenues from sales to select customers on an on-demand basis of finished smart devices with IoT PaaS deployed and sourced from qualified OEMs. We strategically position smart device distribution as a way to nurture long-term customer relationship and have historically operated it at a relatively moderate scale. As a result, the differences in the revenues from smart distribution services between historical periods have been primarily due to varying timing and amounts of the customers' demands and purchases.

SaaS and others. We generate our SaaS and others revenues mainly from (i) the subscription fees charged to customers of Industry SaaS, and (ii) the fees that we receive for certain value-added services we offer to brands and OEMs, such as AI-powered virtual assistants, and cloud-based services we offer directly to end users of Tuya-powered smart devices.

See “Business – Our Products and Services” for details about how we generate our revenues.

Cost of Revenue

Our cost of revenue consists of the costs directly related to providing our products to our customers. These costs and expenses primarily include (i) material costs, primarily including the costs relating to the modules where the edge capabilities of IoT PaaS are embedded; (ii) third-party cloud infrastructure expenses; (iii) employee-related costs, including payroll of production support personnel; and (iv) others, including estimated warranty costs and inventory write-downs, among other things.

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The following table sets forth a breakdown of our costs of revenue by products and services in absolute amounts and as percentages of revenues for the years indicated.

	For the year ended December 31,					
	2019		2020		2021	
	% of		% of		% of	
	US\$	Revenues	US\$	Revenues	US\$	Revenues
	<i>(in thousands, except for percentages)</i>					
Cost of revenue						
IoT PaaS	54,443	51.5	97,244	54.1	150,486	49.8
Smart device distribution	23,088	21.8	19,198	10.7	18,849	6.3
SaaS and others	472	0.4	1,495	0.8	4,874	1.6
Total	78,003	73.7	117,937	65.6	174,209	57.7

The following table sets forth a breakdown of our costs of revenue by cost components in absolute amounts and as percentages of revenues for the years indicated.

	For the year ended December 31,					
	2019		2020		2021	
	% of		% of		% of	
	US\$	Revenues	US\$	Revenues	US\$	Revenues
	<i>(in thousands, except for percentages)</i>					
Cost of revenue						
Material costs ⁽¹⁾	75,551	71.4	113,983	63.4	163,648	54.2
Third-party cloud infrastructure expenses	1,210	1.1	1,585	0.9	3,368	1.1
Employee-related costs	535	0.5	1,383	0.8	3,329	1.1
Others ⁽²⁾	707	0.7	986	0.5	3,864	1.3
Total	78,003	73.7	117,937	65.6	174,209	57.7

Note:

- (1) Primarily include costs relating to the modules where the edge capabilities of IoT PaaS are embedded.
- (2) Primarily include estimated warranty costs and inventory write-downs.

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Our cost of revenue has been and will continue to be affected by a number of factors, including economies of scale, improved efficiency achieved through effective R&D, and product mix, among other things. For the drivers behind the increase in the cost of revenue, see “– Discussion of Results of Operations.”

Gross Profit and Gross margin

The following table sets forth a breakdown of our gross profit and gross margins for the years indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	US\$	%	US\$	%	US\$	%
	<i>(in thousands, except for percentages)</i>					
Gross profit and gross margin						
IoT PaaS	21,922	28.7	54,433	35.9	110,874	42.4
Smart device distribution	4,386	16.0	2,873	13.0	3,304	14.9
SaaS and others	1,478	75.8	4,631	75.6	13,689	73.7
Total	27,786	26.3	61,937	34.4	127,867	42.3

Our gross margin has been and will continue to be affected by a number of factors, including economies of scale, improved efficiency achieved through effective R&D, and product mix, among other things. During the Track Record Period, the gross margin of IoT PaaS has continued to increase, primarily due to (i) our increased economies of scale and cost savings as our business continued to grow, (ii) improved efficiency relating to IoT PaaS deployment achieved through effective R&D; and (iii) the expansion of our product mix to include more device categories that have relatively high profit margins, such as entertainment devices, smart kitchen appliances, and smart home security devices, among other things. The changes in the gross margin of smart device distribution during the Track Record Period were mainly due to normal fluctuations caused by different customer mix, as margin profiles vary across our smart device customers, and variable timing and amount of customer purchases from period to period. The changes in the gross margin of SaaS and others during the Track Record Period were due to normal fluctuations caused by changes in product mix.

Throughout the Track Record Period, the gross margin of SaaS and others has been consistently higher than that of IoT PaaS, primarily due to the difference in cost structure. The cost of revenue of SaaS and others consist mainly of employee costs and costs of software services (e.g. cloud infrastructure), while a substantial portion of the costs of revenue of IoT

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PaaS and smart device distribution relates to the more costly hardware, such as chips for IoT PaaS business and finished smart devices for our smart device distribution business. We expect to continue improving our gross profit margin in the future as we continue to improve gross margin of our IoT PaaS business and to expand our industry SaaS offerings with higher gross margin. For the drivers behind the increase in the gross margins of IoT PaaS and other related details, see “– Discussion of Results of Operations.”

Research and Development Expenses

Research and development expenses consist primarily of (i) employee-related costs, including salaries, benefits and bonuses, for our research and development personnel; (ii) share-based compensation; (iii) cloud infrastructure cost; (iv) rental and utilities; and (v) other expenses associated with our research and development activities. The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as percentages of our revenues, for the years indicated.

	For the year ended December 31,					
	2019		2020		2021	
	% of US\$ Revenues		% of US\$ Revenues		% of US\$ Revenues	
	(in thousands, except for percentages)					
Research and development expenses						
Employee-related costs	38,566	36.5	59,944	33.4	134,854	44.6
Share-based compensation	1,218	1.2	2,596	1.4	14,542	4.8
Cloud infrastructure cost	4,052	3.8	5,301	2.9	7,765	2.6
Rental and utilities	3,113	2.9	3,567	2.0	6,624	2.2
Others ⁽¹⁾	5,054	4.8	6,022	3.3	10,504	3.5
Total	52,003	49.2	77,430	43.0	174,289	57.7

Note:

(1) Primarily include professionals, depreciations and amortizations and testing fees.

We believe that continued investment in research and development is key to enhancing our competitive edge and achieving sustained future growth. We expect to continue to invest substantially in our research and development efforts to improve customer experience, adding new features and functionalities to our platform and products and launching new products and services.

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Sales and Marketing Expenses

Sales and marketing expenses consist primarily of (i) employee-related costs, including salaries, bonuses and benefits, for our employees responsible for business development, branding and marketing; (ii) share-based compensation; (iii) marketing costs related to our developer conferences and events; and (iv) other sales and marketing expenses, including those spent on content and social media marketing.

The following table sets forth a breakdown of our sales and marketing expenses, in absolute amounts and as percentages of our revenues, for the years indicated.

	For the Year Ended December 31,					
	2019		2020		2021	
	<i>% of</i>		<i>% of</i>		<i>% of</i>	
	<i>US\$ Revenues</i>		<i>US\$ Revenues</i>		<i>US\$ Revenues</i>	
	<i>(in thousands, except for percentages)</i>					
Sales and marketing expenses						
Employee-related costs	18,183	17.2	23,466	13.0	41,930	14.0
Share-based compensation	1,109	1.0	1,529	0.9	6,702	2.2
Marketing costs	10,374	9.8	6,300	3.5	13,637	4.5
Others	7,351	7.0	6,261	3.5	13,115	4.3
Total	37,017	35.0	37,556	20.9	75,384	25.0

During the Track Record Period, our employee-related costs under sales and marketing expenses increased significantly, as we continued to grow our business and increased sales and marketing headcounts. We had 412, 506 and 719 sales and marketing employees as of December 31, 2019, 2020 and 2021, respectively. We plan to continue to invest in sales and marketing to promote our brand, grow our developer and partner network, and retain our existing customers and attract new customers. We expect that we will benefit from enhanced brand awareness and economies of scale which will have a positive impact on our sales and marketing efficiency. As a result, our sales and marketing expenses as a percentage of our revenue from year to year may fluctuate depending on the timing and extent of these expenses and due to seasonality.

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General and Administrative Expenses

Our general and administrative expenses consist of (i) employee-related costs, including salaries, bonuses, and benefits paid to general and administrative personnel, (ii) share-based compensation, and (iii) other expenses associated with our general and administrative activities.

The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as percentages of our revenues, for the years indicated.

	For the Year Ended December 31,					
	2019		2020		2021	
	% of US\$ Revenues		% of US\$ Revenues		% of US\$ Revenues	
	(in thousands, except for percentages)					
General and administrative expenses						
Employee-related costs	3,545	3.4	5,158	2.9	10,172	3.4
Share-based compensation	2,893	2.7	5,321	3.0	44,845	14.8
Others	5,758	5.4	7,389	4.0	16,572	5.5
Total	12,196	11.5	17,868	9.9	71,589	23.7

During the Track Record Period, our employee-related costs under general and administrative expenses increased significantly, which was primarily due to an increase in the number of our general and administrative employees. We had 83, 115 and 183 general and administrative employees as of December 31, 2019, 2020 and 2021, respectively.

Other Operating (Expenses)/Incomes, Net

Other operating (expenses)/incomes, net primarily consist of government grants and tax refund. We recorded net other operating expenses of US\$0.01 million in 2019 and net other operating incomes of US\$1.1 million and US\$9.8 million in 2020 and 2021, respectively.

Other Income/(Loss)

Other income/(loss) primarily consists of other non-operating incomes, net, financial income, net and foreign exchange loss, net. Our other income was US\$3.1 million, US\$3.1 million and US\$8.6 million in 2019, 2020 and 2021, respectively.

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TAXATION

Cayman Islands

We are incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution, brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

Our subsidiaries in Hong Kong, including Tuya (HK) Limited, our wholly-owned subsidiary, are subject to Hong Kong profits tax on their activities conducted in Hong Kong at a uniform tax rate of 16.5%. Under Hong Kong tax law, our subsidiaries in Hong Kong are exempted from income tax on their qualified foreign-derived income and there is no withholding tax in Hong Kong on remittance of dividends. No provision for Hong Kong profits tax was made as we had no estimated taxable income that was subject to Hong Kong profits tax during 2019, 2020 and 2021.

PRC

Our subsidiaries and consolidated VIE in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), (the “**PRC EIT Law**”), which was amended on December 29, 2018 and became effective on the same date and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which was amended on April 23, 2019 and became effective on the same date, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. In 2019, 2020 and 2021, preferential tax treatment was available to one of our PRC subsidiaries. Hangzhou Tuya Information Technology Co., Ltd was recognized as a high-tech enterprise in November 2018, which allowed it to apply an income tax rate of 15% within the validity period of high-tech enterprise certificate. As of December 31, 2021, the renewal application of Hangzhou Tuya Information Technology Co., Ltd has been completed. Hangzhou Tuya Information Technology Co., Ltd continues qualifying as an high-tech enterprise and is entitled to enjoy the 15% beneficial tax rate for the years ending December 31, 2022, 2023 and 2024. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

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We are subject to VAT on the products sold and services provided. We are also subject to surcharges on VAT payments in accordance with PRC law. The PRC Provisional Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993, which became effective on January 1, 1994 and were subsequently amended from time to time. The Detailed Rules for the Implementation of the PRC Provisional Regulations on Value-Added Tax (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) was promulgated by the MOF on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the PRC Provisional Regulations on Business Tax and Amending the PRC Provisional Regulations on Value-Added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》). Pursuant to these regulations, rules and decisions, all enterprises and individuals engaged in sale of goods, provision of processing, repair, and replacement services, sales of services, intangible assets, real property, and the importation of goods within the PRC territory are VAT taxpayers. On March 20, 2019, the MOF, the SAT, and the General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepen the Reform of Value-Added Tax (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》). Pursuant to this announcement, the generally applicable VAT rates are simplified as 13%, 9%, 6%, and 0%, which became effective on April 1, 2019, and the VAT rate applicable to the small-scale taxpayers is 3%.

As a Cayman Islands holding company, we may receive dividends from our PRC subsidiaries through Tuya (HK) Limited. The PRC EIT Law and its implementing rules provide that dividends paid by a PRC entity to a nonresident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, and may be subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise (i) directly holds at least 25% of the PRC enterprise, (ii) is a tax resident in Hong Kong and (iii) could be recognized as a Beneficial Owner of the dividend from PRC tax perspective. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), (the “**Guo shui han [2009] 81**”), a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In October 2019, the State Administration of Taxation issued Announcement of the State Taxation Administration on Issuing the Measures for Non-resident Taxpayers’ Enjoyment of Treaty Benefits (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》), (the “**SAT Circular 35**”), which became effective on January 1, 2020. SAT Circular 35 provides that nonresident enterprises are not required to obtain pre-approval from the relevant tax

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authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, Tuya (HK) Limited may be able to benefit from the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries, if it satisfies the conditions prescribed under Guo shui han [2009] 81 and other relevant tax rules and regulations. However, according to Guo shui han [2009] 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Risk Factors – Risks Related to Doing Business in China – If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

In addition, our PRC subsidiaries are also required to withhold a 10% (or 7% if paid to a Hong Kong resident who qualifies for the benefits of the tax treaty between China and Hong Kong) tax on interest paid under any cross-border shareholder loan. Prior to the payment of any interest and principal on any such shareholder loan, our PRC subsidiaries must present evidence of registration with SAFE regarding any such shareholder loan and may be required to provide evidence of payment of withholding tax on the interest payable on that shareholder loan.

DISCUSSION OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Revenues

Our revenues increased by 67.9% from US\$179.9 million for 2020 to US\$302.1 million for 2021, primarily driven by increases in our revenue from IoT PaaS and SaaS and others.

- **IoT PaaS.** Our revenues generated from IoT PaaS increased by 72.3% from US\$151.7 million for 2020 to US\$261.4 million for 2021, mainly driven by increased deployment of IoT PaaS which, in turn, was driven by (i) growth in the SKUs and categories of products supported by IoT PaaS; (ii) increased sales to existing customers as their sale of smart devices continued to grow, particularly to premium IoT PaaS customers; and (iii) acquisition of new customers. Of the increase in revenues generated from IoT PaaS, US\$26.2 million was due to sales to

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existing customers and US\$83.5 million was due to sales to new customers. The number of our premium IoT PaaS customers increased from 188 for the trailing 12-month period ended December 31, 2020 to 311 for the trailing 12-month period ended December 31, 2021.

- **Smart device distribution.** Our revenues generated from smart device distribution remained relatively stable at US\$22.1 million and US\$22.2 million, respectively, in 2020 and 2021.
- **SaaS and others.** Our revenues generated from SaaS and others increased by 203.0% from US\$6.1 million for 2020 to US\$18.6 million for 2021, primarily driven by (i) an increase in revenues from the Industry SaaS business driven by acquisition of new customers and expanded deployment of Industry SaaS by existing customers, and (ii) an increase in revenues from value-added services, such as app customization services, that we offer to customers.

Cost of revenue

Our cost of revenue increased by 47.7% from US\$117.9 million for 2020 to US\$174.2 million for 2021, primarily driven by an increase of US\$53.2 million in the cost of revenue of IoT PaaS and an increase of US\$3.4 million in the cost of revenue of SaaS and others, largely driven by growth in these businesses.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 106.4% from US\$61.9 million for 2020 to US\$127.9 million for 2021. Our overall gross margin increased from 34.4% for 2020 to 42.3% for 2021 primarily due to an increase in the gross margin of IoT PaaS from 35.9% to 42.4%, while the gross margin of smart device distribution and SaaS and others remained relatively stable during these periods.

- **IoT PaaS.** The gross profit of IoT PaaS increased by 103.7% from US\$54.4 million for 2020 to US\$110.9 million for 2021 and the gross margin of IoT PaaS increased from 35.9% for 2020 to 42.4% for 2021, primarily due to (i) our increased economies of scale and cost savings as our business continued to grow, (ii) improved efficiency relating to IoT PaaS deployment achieved through effective R&D, and (iii) the expansion of our product mix to include more device categories that have relatively high profit margin, such as entertainment devices, smart kitchen appliances, and smart home security devices, among other things.
- **Smart device distribution.** The gross profit of smart device distribution increased by 15.0% from US\$2.9 million for 2020 to US\$3.3 million for 2021 and the gross margin of smart device distribution increased from 13.0% for 2020 to 14.9% for

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2021 due to normal fluctuations caused by different customer mix, as margin profiles vary across our smart device customers, and variable timing and amount of customer purchases from period to period.

- **SaaS and others.** Our gross profit of SaaS and others increased by 195.6% from US\$4.6 million for 2020 to US\$13.7 million for 2021 and the gross margin of SaaS and others decreased from 75.6% for 2020 to 73.7% for 2021. The decrease in the gross margin of SaaS and others were due to normal fluctuations caused by changes in product mix.

Research and development expenses

Our research and development expenses increased by 125.1% from US\$77.4 million for 2020 to US\$174.3 million for 2021. The increase was mainly attributable to an increase of US\$74.9 million in employee-related costs and an increase of US\$11.9 million in share-based compensation, both of which were primarily driven by an increase in the number of our research and development employees and an increase in their compensation levels, as we continued to intensify our research and development efforts. As of December 31, 2020 and 2021, we had 1,637 and 2,561 research and development employees, respectively. The increase in our research and development expenses was also driven, to a lesser extent, by an increase in cloud infrastructure cost as we continued to improve our IoT cloud development platform and grow our business.

Sales and marketing expenses

Our sales and marketing expenses increased by 100.7% from US\$37.6 million for 2020 to US\$75.4 million for 2021. The increase was mainly attributable to an increase of US\$18.5 million in employee-related costs and an increase of US\$7.3 million in marketing spending, particularly on offline marketing events such as in-person conferences or expositions, which was primarily due to the continued relaxing of COVID-related restrictions in 2021. The increase was also, to a lesser extent, attributable to an increase of US\$5.2 million in share-based compensation as we continued to grow our business and increased sales and marketing headcounts. We had 506 and 719 sales and marketing employees, respectively, as of December 31, 2020 and 2021.

General and administrative expenses

Our general and administrative expenses increased by 300.7% from US\$17.9 million for 2020 to US\$71.6 million for 2021, mainly attributable to (i) a US\$39.5 million increase in share-based compensation and a US\$5.0 million increase in employee-related costs, and (ii) a US\$9.2 million increase in other expenses, including professional service fees as a result of operating as a public company. The increase in share-based compensation and employee-related costs, was due to an increase in the number of our general and administrative employees. We had 115 and 183 general and administrative employees, respectively, as of December 31, 2020 and 2021.

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Other operating (expenses)/incomes, net

Our other operating incomes, net, increased significantly from US\$1.1 million for 2020 to US\$9.8 million for 2021, which was mainly attributable to a significant increase in tax refunds and incentive subsidies granted by the PRC government in 2021.

Other income/(loss)

We generated other income of US\$3.1 million and US\$8.6 million, respectively, for 2020 and 2021. The increase in other income was mainly due to (i) an increase in financial income, net of US\$4.1 million, primarily arising from our investments in short-term wealth-management products and securities of listed companies; and (ii) increased other non-operating incomes, net in the amount of US\$2.0 million due to payment received pursuant to certain fee-sharing arrangements between us and our depositary bank.

Income tax expense

We had an income tax expense of US\$0.2 million for 2020 and US\$0.5 million for 2021, primarily attributable to the increases in the taxable profits of certain of our subsidiaries.

Net loss for the year

As a result of the foregoing, we recorded net loss of US\$66.9 million and US\$175.4 million, respectively, for 2020 and 2021.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Revenues

Our revenues increased by 70.0% from US\$105.8 million for 2019 to US\$179.9 million for 2020, primarily driven by increases in our revenue from IoT PaaS and SaaS and others, partially offset by a decrease in the revenue from smart device distribution.

- ***IoT PaaS.*** Our revenues generated from IoT PaaS increased by 98.6% from US\$76.4 million for 2019 to US\$151.7 million for 2020, mainly driven by increased deployment of IoT PaaS which, in turn, was driven by (i) growth in the SKUs and categories of products supported by IoT PaaS; and (ii) increased sales to existing customers as their sale of smart devices continued to grow and to a lesser extent, acquisition of new customers. Of the increase in revenues generated from IoT PaaS, US\$62.0 million was due to sales to existing customers and US\$13.3 million was due to sales to new customers.

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- **Smart device distribution.** Our revenues generated from smart device distribution decreased by 19.7% from US\$27.5 million for 2019 to US\$22.1 million for 2020. We have operated our smart device distribution services at a relatively moderate scale, and the differences in the revenues from smart distribution services between historical periods have been primarily due to timing and amounts of the customers' demands and purchases.
- **SaaS and others.** Our revenues generated from SaaS and others increased by 214.2% from US\$2.0 million for 2019 to US\$6.1 million for 2020, primarily driven by an increase in revenues from the Industry SaaS business which started to grow and an increase in revenues from value-added services we offer to customers. We launched our Industry SaaS business in March 2020, and its rapid growth since its inception was mainly driven by strong demand from business operators for sophisticated, brand-agnostic Industry SaaS offerings.

Cost of revenue

Our cost of revenue increased by 51.2% from US\$78.0 million for 2019 to US\$117.9 million for 2020, primarily driven by an increase of US\$42.8 million in the cost of revenue of IoT PaaS and to a lesser extent, an increase of US\$1.0 million in the cost of revenue of SaaS and others, largely driven by growths in these businesses. The increase in our cost of revenue was partially offset by a decrease of US\$3.9 million in the cost of revenue of smart device distribution.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 122.9% from US\$27.8 million for 2019 to US\$61.9 million for 2020. Our overall gross margin increased from 26.3% for 2019 to 34.4% for 2020 due to an increase in the gross margin of IoT PaaS, while the gross margin of smart device distribution decreased from 16.0% to 13.0% and the gross margin of SaaS and others remained relatively stable during these periods.

- **IoT PaaS.** The gross profit of IoT PaaS increased by 148.3% from US\$21.9 million for 2019 to US\$54.4 million for 2020 and the gross margin of IoT PaaS increased from 28.7% for 2019 to 35.9% for 2020, primarily due to (i) our increased economies of scale and cost savings as our business continued to grow, (ii) improved efficiency relating to IoT PaaS deployment achieved through effective R&D, and (iii) the expansion of our product mix to include more device categories with relatively high profit margins, such as entertainment devices, smart kitchen appliances, and smart home security devices, among other things.
- **Smart device distribution.** The gross profit of smart device distribution decreased by 34.5% from US\$4.4 million for 2019 to US\$2.9 million for 2020 and the gross margin of smart device distribution decreased from 16.0% for 2019 to 13.0% for 2020.

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2020 due to normal fluctuations caused by different customer mix, as margin profiles vary across our smart device customers, and variable timing and amount of customer purchases from period to period.

- **SaaS and others.** Our gross profit of SaaS and others increased by 213.3% from US\$1.5 million for 2019 to US\$4.6 million for 2020 and the gross margin of SaaS and others kept relatively stable at 75.8% for 2019 and 75.6% for 2020.

Research and development expenses

Our research and development expenses increased by 48.9% from US\$52.0 million for 2019 to US\$77.4 million for 2020. The increase was mainly attributable to an increase of US\$21.4 million in employee-related costs which, in turn, was driven by an increase in the number of our research and development employees and an increase in their compensation levels, as we continued to intensify our research and development efforts. As of December 31, 2019 and 2020, we had 1,009 and 1,637 research and development employees, respectively.

Sales and marketing expenses

Our sales and marketing expenses increased by 1.5% from US\$37.0 million for 2019 to US\$37.6 million for 2020. The increase was mainly attributable to an increase of US\$5.3 million in employee-related costs, partially offset by a decrease of US\$4.1 million in marketing spending as a result of the slowdown in our marketing efforts through in-person conferences and events due to COVID-19. We had 412 and 506 sales and marketing employees, respectively, as of December 31, 2019 and 2020.

General and administrative expenses

Our general and administrative expenses increased by 46.5% from US\$12.2 million for 2019 to US\$17.9 million for 2020, mainly attributable to a US\$2.4 million increase in share-based compensation and US\$1.6 million increase in employee-related costs. This, in turn, was due to an increase in the number of our general and administrative employees. We had 83 and 115 general and administrative employees, respectively, as of December 31, 2019 and 2020.

Other operating (expenses)/incomes, net

We recorded other operating expenses of US\$0.01 million for 2019 and recorded other operating income of US\$1.1 million for 2020, which was mainly attributable to incentive subsidies granted by the PRC government to IoT companies in 2020.

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Other income/(loss)

We generated other income of US\$3.1 million and US\$3.1 million, respectively, for 2019 and 2020. The increase in other income was mainly due to decreased foreign exchange loss, net in the amount of US\$0.2 million and decreased financial income, net in the amount of US\$0.1 million.

Income tax expense

We had an income tax expense of US\$0.1 million for 2019 and US\$0.2 million for 2020.

Net loss for the year

As a result of the foregoing, we recorded net loss of US\$70.5 million and US\$66.9 million, respectively, for 2019 and 2020.

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DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED BALANCE SHEETS

The table below sets forth selected information from our consolidated balance sheets as of the dates indicated, which has been extracted from the Accountant's Report included in Appendix I to this prospectus:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Consolidated Balance Sheets:			
ASSETS			
Current assets:			
Cash and cash equivalents	213,258	158,792	963,938
Restricted cash	29	163	638
Short-term investments	16,663	20,976	102,134
Accounts receivable, net	5,351	12,316	32,701
Notes receivable	379	9,126	1,393
Inventories, net	23,019	42,267	62,582
Prepayments and other current assets	8,008	4,393	27,882
Total current assets	266,707	248,033	1,191,268
Non-current assets:			
Property, equipment and software, net	2,840	4,374	6,805
Operating lease right-of-use assets, net	8,658	12,267	22,181
Long-term investments	430	920	26,078
Other non-current assets	769	1,729	1,818
Total non-current assets	12,697	19,290	56,882
Total assets	279,404	267,323	1,248,150
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT)/EQUITY			
Current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiary of 739, 778 and 1,221 as of December 31, 2019, 2020 and 2021, respectively):			
Accounts payable	12,176	23,159	12,212

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	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Advance from customers	14,051	27,078	31,088
Deferred revenue, current	516	3,468	9,254
Accruals and other current liabilities	19,698	31,738	50,847
Income tax payable	155	159	–
Lease liabilities, current	3,763	6,326	5,697
Total current liabilities	50,359	91,928	109,098
Non-current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiary of 33, nil and 38 as of December 31, 2019, 2020 and 2021, respectively):			
Lease liabilities, non-current	5,210	5,688	16,048
Deferred revenue, non-current	261	707	859
Other non-current liability	–	–	8,484
Total non-current liabilities	5,471	6,395	25,391
Total liabilities	55,830	98,323	134,489

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	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Mezzanine equity			
Series A convertible preferred shares (US\$0.00005 par value; 65,288,360 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	9,000	9,000	—
Series A-1 convertible preferred shares (US\$0.00005 par value; 15,959,140 shares authorized as of December 31, 2019 and 2020, respectively; 12,222,267 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	2,680	2,680	—
Series B convertible preferred shares (US\$0.00005 par value; 90,782,550 shares authorized as of December 31, 2019 and 2020, respectively; 87,756,440 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	29,000	29,000	—
Series C convertible preferred shares (US\$0.00005 par value; 60,469,840 shares authorized as of December 31, 2019 and 2020, respectively; 60,468,490 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	115,007	115,007	—

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	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Series D convertible preferred shares (US\$0.00005 par value; 75,000,000 shares authorized as of December 31, 2019 and 2020, respectively; 52,428,242 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	177,980	177,980	—
Total mezzanine equity	333,667	333,667	—
Shareholders' (deficit)/equity:			
Ordinary shares (US\$0.00005 par value; 692,500,110 shares authorized, 221,980,000 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	11	11	—
Class A ordinary shares (US\$0.00005 par value; nil, nil and 600,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 491,846,560 shares issued as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 480,241,752 shares outstanding as of December 31, 2019, 2020 and 2021, respectively)	—	—	25

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	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Class B ordinary shares (US\$0.00005 par value; nil, nil and 200,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 79,400,000 shares issued and outstanding as of December 31, 2019 and 2020 and 2021, respectively)	–	–	4
Treasury stock (US\$0.00005 par value; nil, nil and 11,604,808 shares as of December 31, 2019, 2020 and 2021, respectively)	–	–	(46,930)
Additional paid-in capital	17,869	27,315	1,526,140
Subscription receivables from shareholders	(10)	–	–
Accumulated other comprehensive (loss)/income	(2,401)	481	2,320
Accumulated deficit	(125,562)	(192,474)	(367,898)
Total shareholders' (deficit)/equity	<u>(110,093)</u>	<u>(164,667)</u>	<u>1,113,661</u>
Total liabilities, mezzanine equity and shareholders' (deficit)/equity	<u>279,404</u>	<u>267,323</u>	<u>1,248,150</u>

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Net Current Assets and Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Current assets			
Cash and cash equivalents	213,258	158,792	963,938
Restricted cash	29	163	638
Short-term investments	16,663	20,976	102,134
Accounts receivable, net	5,351	12,316	32,701
Notes receivable	379	9,126	1,393
Inventories, net	23,019	42,267	62,582
Prepayments and other current assets	8,008	4,393	27,882
Total current assets	266,707	248,033	1,191,268
Current liabilities			
Accounts payable	12,176	23,159	12,212
Advance from customers	14,051	27,078	31,088
Deferred revenue, current	516	3,468	9,254
Accruals and other current liabilities	19,698	31,738	50,847
Income tax payable	155	159	–
Lease liabilities, current	3,763	6,326	5,697
Total current liabilities	50,359	91,928	109,098
Net current assets	216,348	156,105	1,082,170

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Our net current assets increased from US\$156.1 million as of December 31, 2020 to US\$1,082.2 million as of December 31, 2021, primarily due to (i) an increase in cash and cash equivalents from US\$158.8 million as of December 31, 2020 to US\$963.9 million as of December 31, 2021, primarily attributable to the proceeds from pre-IPO financing conducted in early 2021, our initial public offering on the NYSE completed in March 2021 and the exercise of IPO-related over-allotment option in April 2021, (ii) an increase in short-term investments from US\$21.0 million as of December 31, 2020 to US\$102.1 million as of December 31, 2021, and (iii) an increase in accounts receivables, net from US\$12.3 million as of December 31, 2020 to US\$32.7 million as of December 31, 2021, primarily driven by our overall business expansion. The increase was partially offset by an increase in accruals and other current liabilities from US\$31.7 million as of December 31, 2020 to US\$50.8 million as of December 31, 2021 mainly driven by our business growth.

Our net current assets decreased from US\$216.3 million as of December 31, 2019 to US\$156.1 million as of December 31, 2020, primarily due to a decrease in cash and cash equivalents from US\$213.3 million as of December 31, 2019 to US\$158.8 million as of December 31, 2020. The decrease was also due to (i) an increase in advance from customers from US\$14.1 million as of December 31, 2019 to US\$27.1 million as of December 31, 2020, (ii) an increase in accruals and other current liabilities from US\$19.7 million as of December 31, 2019 to US\$31.7 million as of December 31, 2020, and (iii) an increase in accounts payable from US\$12.2 million as of December 31, 2019 to US\$23.2 million as of December 31, 2020, all of which were primarily driven by our overall business growth. The decrease was partially offset by an increase in inventories, net from US\$23.0 million as of December 31, 2019 to US\$42.3 million as of December 31, 2020, which was primarily because we have strategically increased our inventory to support the growth of our IoT PaaS business.

Assets

Cash and cash equivalents

Our cash and cash equivalents primarily include cash in bank and time deposits placed with banks or other financial institutions which have original maturities of three months or less at the time of purchase and are readily convertible to known amounts of cash. We had cash and cash equivalents of US\$213.3 million, US\$158.8 million and US\$963.9 million, respectively, as of December 31, 2019, 2020 and 2021. The significant increase in our cash and cash equivalents between December 31, 2020 and 2021 was primarily attributable to the proceeds from pre-IPO financing conducted in early 2021, our initial public offering on the NYSE completed in March 2021 and the exercise of IPO-related over-allotment option in April 2021.

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Short-term investments

With respect to our short-term investments, our investment strategies were mainly focused on low-risk financial instruments issued by financial institutions with high credit ratings. We maintain relevant internal control mechanism in making such investments, under which financial department will coordinate in the operation procedures, including making financial plans for idle cash, quotation and enquiry, transfer of money, yield management, internal risk control and accounting treatment, and subject to the nature of the short-term investments, we require management's or Board's approval before entering into any relevant agreements for such investments. We have established a treasury team of members with financial expertise in managing investment in financial products and analyzing the investment performances. These bodies of our company have been and will continue to work together to ensure that our investments in financial products are consistent with our investment strategies, risk management and internal control policies. Such short-term investments will also be subject to the compliance with Chapter 14 of the Rules after Listing.

The following table sets forth our short-term investments as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Wealth management products	16,663	–	–
Time deposits	–	20,976	97,510
Equity securities with readily determinable fair value	–	–	4,624
	<u>16,663</u>	<u>20,976</u>	<u>102,134</u>

Our wealth management products as of December 31, 2019 mainly consisted of financial products issued by commercial banks in China with a variable interest rate indexed to the performance of underlying assets and a maturity date within one year when purchased or revolving terms. Such wealth management products were generally described as having low or middle levels of risks in the product description manuals published by the issuing banks. The underlying assets of such wealth management products were mainly investments in various types of assets meeting regulatory requirements and are highly liquid with higher market credit rating, including bonds, inter-bank deposits, bond funds and other money market instruments. For 2019, 2020 and 2021, the weighted average return of such wealth management products was 3.2%, 2.9% and 2.7%, respectively.

Our equity securities with readily determinable fair value as of December 31, 2021 relate to our investment in the ordinary shares of a listed company.

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Our time deposits classified as short-term investments refer to those placed with banks or other financial institutions which have original maturities of more than three months and less than one year. Such time deposits increased significantly from US\$21.0 million as of December 31, 2020 to US\$97.5 million as of December 31, 2021, primarily attributable to the proceeds from pre-IPO financing conducted in early 2021, our initial public offering completed in March 2021 and the exercise of IPO-related over-allotment option in April 2021.

Inventories, net

Our inventories, net consist primarily of (i) raw materials and work in process, both of which relate to the modules and chips for our IoT PaaS business; and (ii) finished goods, which are mainly finished smart devices purchased from manufacturers for our smart device distribution business.

The following table sets forth a breakdown of our inventories, net as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Raw materials	14,686	29,472	55,845
Work in process	2,795	3,513	3,359
Finished goods	5,805	10,043	5,958
Low value consumables and spare parts	21	117	145
Inventories, gross	23,307	43,145	65,307
Less: inventory write-downs	(288)	(878)	(2,725)
Inventories, net	23,019	42,267	62,582

Our inventories, net, including its main components, have generally continued to increase throughout the Track Record Period which was driven by the growth of our IoT PaaS business during the same period.

The following table sets forth our inventories turnover days for the years indicated. Inventories turnover days for a year equals the average of the opening and closing inventories gross balance divided by cost of revenue for the relevant year and multiplied by the number of days in the relevant year.

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	For the year ended December 31,		
	2019	2020	2021
	<i>(days)</i>		
Inventories turnover days	83	103	114

Since late 2020, amid the foreseen global shortage of chips, we have been strategically increasing our inventories to minimize lead time, ensure timely delivery to our customers, and meet our future business needs. As a result, our inventories turnover days increased from 83 days in 2019 to 103 days in 2020, and further increased to 114 days in 2021.

The following table sets forth the aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Inventories, gross			
Within 1 year	22,820	39,202	61,976
1-2 years	487	3,943	3,331
Total	23,307	43,145	65,307

As of March 31, 2022, US\$13.7 million, or 21.0%, of our total inventories as of December 31, 2021 had been subsequently sold or utilized.

Throughout the Track Record Period, we have not experienced material recoverability issues with our inventories. A significant portion of our inventories currently consist of IoT-related chips which we believe have a high level of marketability given the continued high market demand for chips and related components. We also have in place dedicated personnel who continuously monitor aging conditions and marketability of our inventories with a view to identifying obsolete and slow-moving inventories so that we can promptly take appropriate remedial measures accordingly. Our management also reviews the recoverability of our inventories as of the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In light of these, we do not expect to experience any material issue in recoverability of inventories in the foreseeable future.

Accounts receivable, net

Our accounts receivable, net consist primarily of outstanding payments due from customers in connection with the services or products we provide.

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The following table sets forth the breakdown of our account receivables, net as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Accounts receivable, gross	5,731	12,904	34,345
Less: allowance for doubtful accounts	(380)	(588)	(1,644)
Accounts receivable, net	5,351	12,316	32,701

Our accounts receivable, net increased from US\$5.4 million as of December 31, 2019 to US\$12.3 million as of December 31, 2020, and further to US\$32.7 million as of December 31, 2021, which was generally in line with our business and customer base expansion. The increase in accounts receivable, net between December 31, 2020 and 2021 was also in part due to the more favorable payment terms that we offered to select customers with a good track record to help them mitigate the impact of the challenging macro environment. The increase in allowance for doubtful accounts between December 31, 2020 and 2021 was mainly in line with the increase in accounts receivable balances.

The following table sets forth our accounts receivable turnover days for the years indicated. Accounts receivable turnover days for a year equals the average of the opening and closing accounts receivable, gross balance divided by revenue for the relevant year and multiplied by the number of days in the relevant year.

	For the year ended December 31,		
	2019	2020	2021
	<i>(days)</i>		
Accounts receivable turnover days	13	19	29

The accounts receivable turnover days has continued to increase throughout the Track Record Period, primarily due to our rapid business growth and as we had different and more diversified settlement terms with different customers as our customer base continued to grow in size and diversity. The increase in accounts receivable turnover days in 2021 as compared to 2020 was in part due to the more favorable payment terms we offered to select customers to help them mitigate the impact of the challenging macro environment.

The following table sets forth the aging analysis of our accounts receivable as of the dates indicated.

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	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Accounts receivable, gross			
0-3 months	4,077	10,806	29,962
3-6 months	716	1,196	1,279
6-12 months	456	314	1,444
Over 1 year	482	588	1,660
Total	5,731	12,904	34,345

As of March 31, 2022, US\$12.9 million, or 37.6%, of our accounts receivable as of December 31, 2021 had been subsequently settled. In the first quarter of 2022, we offered more flexible payment terms to creditworthy customers with a track record of on-time payment to help them mitigate the impact of the challenging macro environment, including the impact caused by the resurgence of the COVID-19 in some major cities in China.

Throughout the Track Record Period, we have not experienced material recoverability issues for our accounts receivable. We assess the creditworthiness of each customer when providing services and may require the customers to make advance payments or a deposit before the services are rendered. Our trade receivables are primarily due to customers that have maintained robust credit profiles with whom we have long-term established business relationships. We offer more flexible payment terms to customers that we believe are creditworthy with a track record of on-time payments. Before extending customers' payment terms, we perform extensive analysis into their creditworthiness, business conditions and financial profiles to ensure they have the ability to pay as per agreed-upon schedules. In addition, we have dedicated internal teams responsible for continually monitoring the credit profiles and operating and financial conditions of our customers and proactively following up with our customers to ensure recoverability. Substantially all of the customers with whom we had accounts receivable outstanding as of December 31, 2021 have agreed to pay us by the agreed-upon due date, and none of such accounts receivable are currently in dispute. In light of these, we do not expect to experience any material issue in recoverability of accounts receivable in the foreseeable future.

Operating lease right-of-use assets, net

Our operating lease right-of-use assets, net were US\$8.7 million, US\$12.3 million and US\$22.2 million, respectively, as of December 31, 2019, 2020 and 2021. Our operating lease right-of-use assets, net relate primarily to our leases of our office spaces and warehouses.

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Notes receivables

Our notes receivables consist primarily of bank acceptance notes received from our customers as a substitute for cash to settle their payment obligations. Our notes receivables were US\$0.4 million, US\$9.1 million and US\$1.4 million, respectively, as of December 31, 2019, 2020 and 2021. The higher or lower balance of our notes receivables as of balance sheet dates was due to the collection and redemption of bank acceptance notes during the corresponding period.

As of March 31, 2022, US\$0.7 million, or 49.2%, of our notes receivables as of December 31, 2021 had been subsequently settled.

Prepayments and other current assets

Our prepayments and other current assets were US\$8.0 million, US\$4.4 million and US\$27.9 million, respectively, as of December 31, 2019, 2020 and 2021.

The following table sets forth a breakdown of our prepayments and other current assets as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(US\$ in thousands)		
Prepayments and other current assets			
Advance to suppliers	6,505	3,882	12,529
Prepayment for share repurchase	–	–	10,355
Deferred dual primary listing related costs	–	–	3,049
Rental deposits	146	136	438
VAT recoverable	699	92	621
Receivables from third-party payment platforms	525	256	175
Interest receivable	120	–	123
Others	13	27	592
Total	8,008	4,393	27,882

The decrease in our prepayments and other current assets from US\$8.0 million as of December 31, 2019 to US\$4.4 million as of December 31, 2020 was primarily attributable to (i) a decrease in advance to suppliers of US\$2.6 million, primarily due to our lower revenue from smart device distribution business in 2020 than in 2019, and (ii) the decrease of VAT recoverable of US\$0.6 million due to the rapid business development and growth of revenues. Our prepayments and other current assets increased from US\$4.4 million as of December 31,

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2020 to US\$27.9 million as of December 31, 2021, primarily due to (i) increases in advance to suppliers which, in turn, was driven by our overall business, and (ii) pre-payment for share repurchase of US\$10.4 million, representing the amounts that we paid to the broker authorized to repurchase ADSs from the public market on behalf of us.

Property, equipment and software, net

Our property, equipment and software, net consist primarily of leasehold improvements, which relate mainly to our leased office spaces, computers and electronic equipment, office equipment, software and construction in progress. Our property, equipment and software, net increased from US\$2.8 million as of December 31, 2019 to US\$4.4 million as of December 31, 2020 and further to US\$6.8 million as of December 31, 2021, which was primarily due to acquisition of computer and electric equipment and expansion of office spaces to accommodate our increasing headcount.

Long-term investments

Our long-term investments consist primarily of our long-term investments in the securities of listed or privately held companies. Our long-term investments increased from US\$0.4 million as of December 31, 2019 to US\$0.9 million as of December 31, 2020 due to our investments in the shares of certain listed companies. Our long-term investments increased from US\$0.9 million as of December 31, 2020 to US\$26.1 million as of December 31, 2021, primarily because we recorded investment in available-for-sale debt securities of US\$25.6 million as of December 31, 2021. Such investment relates to the redeemable shares that we held in a number of privately held companies across the IoT value chain. For all of these investments, since we have the right to request each investee to redeem our investments at our investment cost plus the interest if certain predetermined conditions are met, such redeemable shares were classified as available-for-sale debt investments and were measured at their fair value. These investees include two OEMs who are also our IoT PaaS customers. One of these OEMs is principally engaged in the smart electrical business and the other is mainly engaged in the smart lighting business. We consider both OEMs to be among the most competitive and promising players in their respective industries. We believe our investments in these two companies allow us to leverage their expertise and market leadership, broaden our reach to potential brands and customers and partners, and ultimately help fulfil our mission to build a vibrant IoT ecosystem. See Note 9 to the Accountant's Report included in Appendix I to this prospectus for more information about the terms of these investments. See "Future Plans and Use of Proceeds" for more information of our future plans to pursue strategic partnerships, investments and acquisitions.

We have dedicated personnel in place who are responsible for identifying targets of long-term investments and reviewing and pursuing strategic investments. These personnel have extensive experience in corporate finance and M&A in the technology and IoT industries. We make investment decisions on a case-by-case basis based on the consideration of a number of factors, including the target's track record and growth potential; the quality of its management

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team, as well as the target's potential to generate synergies with our existing operations. Going forward, we intend to continue to pursue additional investment opportunities that can enrich our existing capabilities, strengthen our advantages and complement our operations.

Liabilities

Accounts payable

Our accounts payable represent our payment obligations to outside suppliers of goods and services, such as cloud services, that are directly associated with the provision of our products and services. Our accounts payable increased from US\$12.2 million as of December 31, 2019 to US\$23.2 million as of December 31, 2020, primarily attributable to our overall business growth. Our accounts payable decreased from US\$23.2 million as of December 31, 2020 to US\$12.2 million as of December 31, 2021, because substantial amounts of accounts payable became due and were settled during 2021. Our suppliers generally offer us credit terms ranging from approximately 30 days to approximately 90 days.

The following table sets forth our accounts payable turnover days for the years indicated. Accounts payable turnover days for a year equals the average of the opening and closing accounts payable balance divided by cost of revenue for the relevant year and multiplied by the number of days in the relevant year.

	For the year ended December 31,		
	2019	2020	2021
	(days)		
Accounts payable turnover days	39	55	37

The accounts payable turnover days has decreased from 55 days in 2020 to 37 days in 2021, primarily because in 2021, we had more upfront payment for our purchases to reserve supplier capacities due to the global chip shortage. The accounts payable turnover days has increased from 39 days in 2019 to 55 days in 2020, due to the increased purchases to support our rapid business growth.

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The following table sets forth the aging analysis of our accounts payable as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Accounts payable			
0-3 months	10,913	22,120	11,493
3-6 months	70	1,039	209
6-12 months	1,193	–	215
Over 1 year	–	–	295
Total	12,176	23,159	12,212

As of March 31, 2022, US\$10.4 million, or 85.4%, of our accounts payable as of December 31, 2021 had been subsequently settled.

Advance from customers

Our advance from customers represents cash payments made upfront by our customers for our products and services provided. Our advance from customers increased from US\$14.1 million as of December 31, 2019 to US\$27.1 million as of December 31, 2020, and further to US\$31.1 million as of December 31, 2021, primarily attributable to our overall business and customer base expansion. From December 31, 2020 to December 31, 2021, the increase in our advance from customers was relatively small, mainly due to the more relaxed payment terms that we offered to select customers with a good track record to help them mitigate the impact of the challenging macro environment.

Accruals and other current liabilities

Our accruals and other current liabilities consist primarily of (i) salary and welfare payable; (ii) tax payables; (iii) membership fee to be refunded to our IoT PaaS customers who enrolled in our membership programs; (iv) fees payable to third-party advertising and promotion agencies; (v) payments due to cloud infrastructure and IT related services providers; and (vi) payments due to third-party professional services providers. IoT PaaS customers who enroll in our membership programs can pay a membership fee in exchange for discounts at various levels based on their expected volume of purchases. Under the membership agreements, the membership fees are generally not refundable when the membership expires unless specified volume requirements are met. However, historically we have usually approved refund even if such volume requirements were not met, as a way to reward our customers.

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The following table sets forth the breakdown of accruals and other current liabilities as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Accruals and other current liabilities			
Salary and welfare payable	11,933	20,655	30,597
Professional service fee payables	892	625	5,558
Advertising and promotion fee payables	2,192	2,157	4,172
Cloud infrastructure and IT related services fee payables	1,790	1,705	3,110
Payment from depositary bank, current	–	–	2,611
Tax payables	1,016	3,189	1,796
Sales return allowances	–	–	709
Membership fee to be refunded	1,204	2,537	471
Product warranty	316	391	339
Others	355	479	1,484
Total	19,698	31,738	50,847

Our accruals and other current liabilities increased from US\$19.7 million as of December 31, 2019 to US\$31.7 million as of December 31, 2020, primarily attributable to (i) the increase in salary and welfare payable; and (ii) an increase in tax payable, both of which are mainly driven by our business growth. The increase in accruals and other current liabilities from US\$31.7 million as of December 31, 2020 to US\$50.8 million as of December 31, 2021 was primarily attributable to (i) the increase in salary and welfare payable driven by our business growth; and (ii) an increase in professional service fee payables, due to incurred in connection with our preparation for the Global Offering.

Lease liabilities

Our lease liabilities represent the present value of outstanding lease payments under our leases of office spaces and warehouses. Our lease liabilities increased from US\$9.0 million as of December 31, 2019 to US\$12.0 million as of December 31, 2020, and further to US\$21.7 million as of December 31, 2021, primarily driven by our overall business growth and increased headcounts.

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The following table sets forth details of our lease liabilities as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Operating lease liabilities – current	3,763	6,326	5,697
Operating lease liabilities – non-current	5,210	5,688	16,048
Total lease liabilities	8,973	12,014	21,745
Weighted-average remaining lease term			
Operating leases	2.62 years	2.26 years	3.81 years
Weighted-average discount rate			
Operating lease	4.75% per annum	4.75% per annum	4.75% per annum

Deferred revenue

Our deferred revenue relate primarily to (i) the cloud-based connectivity and basic IoT services we provide to customers as part of IoT PaaS; (ii) membership programs we offer to our IoT PaaS customers where they pay membership fees in exchange for discounts in their payments for IoT PaaS; and (iii) Industry SaaS. The revenue generated from these services are deferred and subsequently recognized over a certain period of time.

Our deferred revenue were US\$0.8 million, US\$4.2 million and US\$10.1 million, respectively, as of December 31, 2019, 2020 and 2021. The increase in our deferred revenue throughout the Track Record Period was primarily driven by the rapid growth in our IoT PaaS and Industry SaaS as well as the increased number of IoT PaaS customers who enrolled in our membership programs.

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years indicated.

	For the year ended December 31,		
	2019	2020	2021
Revenue growth			
IoT PaaS	N/A	98.6%	72.3%
Smart device distribution	N/A	(19.7)%	0.4%
SaaS and others	N/A	214.2%	203.0%
Total revenue growth	N/A	70.0%	67.9%
Gross margin			
IoT PaaS	28.7%	35.9%	42.4%
Smart device distribution	16.0%	13.0%	14.9%
SaaS and others	75.8%	75.6%	73.7%
Total gross margin	26.3%	34.4%	42.3%
Adjusted net margin (non-GAAP financial measure) ⁽¹⁾	(61.7)%	(31.9)%	(36.2)%

Note:

- (1) Adjusted net margin (non-GAAP financial measure) is calculated by dividing adjusted net loss (non-GAAP financial measure) by our revenues. For an explanation of our reason for using adjusted loss (non-GAAP financial measure) and a reconciliation of adjusted loss (non-GAAP financial measure) to net loss for the years indicated, see “Financial Information – Non-GAAP Financial Measure.”

During the Track Record Period, our overall gross margin profiles have generally continued to improve, which was primarily due to (i) improved gross margin of IoT PaaS, (ii) increased revenue contribution from Industry SaaS which has a relatively high gross margin, and (iii) improved efficiency as a result of our continued investment in R&D. For a more comprehensive discussion of the factors affecting our key financial ratios during the Track Record Period, see “Financial Information – Discussion of Results of Operations.”

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LIQUIDITY AND CAPITAL RESOURCES

The following table presents our consolidated cash flow data for the years presented.

	For the year ended December 31,		
	2019	2020	2021
	<i>(US\$ in thousands)</i>		
Operating cash flows before movements			
in working capital	(60,962)	(51,032)	(94,333)
Change in working capital	4,399	1,821	(31,770)
Net cash used in operating activities	(56,563)	(49,211)	(126,103)
Net cash generated from/(used in)			
investing activities	8,491	(7,852)	(112,957)
Net cash generated from/(used in)			
financing activities	174,230	(172)	1,041,802
Effect of exchange rate changes on cash			
and cash equivalents, restricted cash	(481)	2,903	2,879
Net increase/(decrease) in cash and cash			
equivalents, restricted cash	125,677	(54,332)	805,621
Cash and cash equivalents, restricted			
cash at the beginning of the year	87,610	213,287	158,955
Cash and cash equivalents, restricted			
cash at the end of the year	213,287	158,955	964,576

During the Track Record Period and up to the Latest Practicable Date, our principal sources of liquidity have been cash generated from our operations, private sales of equity securities and proceeds from our initial public offering.

Net Cash Used in Operating Activities

Net cash used in operating activities was US\$126.1 million in 2021. The difference between our net loss of US\$175.4 million and the net cash used in operating activities was mainly due to (i) share-based compensation of US\$66.1 million primarily driven by our increased headcounts, (ii) an increase in accruals and other payables of US\$19.1 million, largely driven by our overall business growth, (iii) amortization of right-of-use assets of US\$7.0 million, and (iv) an increase in deferred revenue of US\$5.9 million, driven by the rapid growth in our IoT PaaS and Industry SaaS as well as the increased number of IoT PaaS customers enrolled in our membership programs, partially offset by (i) an increase in inventories of US\$22.1 million, and (ii) an increase in accounts receivable of US\$23.4 million, both of which are largely driven by our business and customer base expansion.

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Net cash used in operating activities was US\$49.2 million in 2020. The difference between our net loss of US\$66.9 million and the net cash used in operating activities was mainly due to (i) an increase in advance from customers of US\$13.0 million which was largely driven by our overall business growth and increased number of customers, (ii) an increase in accruals and other payables of US\$11.9 million, (iii) an increase in accounts payables of US\$11.0 million due to increased payables to our suppliers which, in turn, was largely driven by our overall business growth, and (iv) share-based compensation of US\$9.4 million, partially offset by (i) an increase in inventories of US\$19.8 million as we strategically increased our inventory to support the growth of our IoT PaaS business, (ii) an increase in notes receivable of US\$8.7 million due to increased customer payments in the form of bank acceptance notes, driven by our overall business and customer base expansion; and (iii) an increase in accounts receivable of US\$7.2 million, driven by our overall business growth and increased number of customers.

Net cash used in operating activities was US\$56.6 million in 2019. The difference between our net loss of US\$70.5 million and the net cash used in operating activities was mainly due to (i) an increase in accruals and other payables of US\$11.8 million, (ii) an increase in accounts payable of US\$7.5 million, (iii) share-based compensation of US\$5.2 million, and (iv) an increase in amortization of right-of use assets of US\$2.6 million, partially offset by (i) an increase in inventories of US\$11.0 million, (ii) an increase in accounts receivable of US\$4.0 million and (iii) a decrease in lease liabilities of US\$2.3 million. The foregoing increases in accounts payable, inventories, and accounts receivable were primarily driven by our overall business growth in 2019.

In the future, we expect to leverage the following to improve our net operating cash outflow position by taking advantage of (i) our continuous revenue growth fueled by our growing customer base and enhanced customer engagement; (ii) our improved gross profit margin due to IoT PaaS margin expansion and the optimization of our revenue structure; (iii) our improved operating leverage as we expect our revenue growth to exceed the increase in expenses gradually; and (iv) our working capital improvement strategies. For example, to improve and refine our management of working capital, we will continue to leverage our industry leading position to negotiate for more favourable contractual terms with our customers and suppliers. For more details, see “Business – Business Sustainability.”

Net Cash (Used in)/Generated from Investing Activities

Net cash used in investing activities was US\$113.0 million in 2021, which was primarily attributable to (i) payment for short-term investments of US\$468.7 million, (ii) payment for long-term investments of US\$21.3 million, (iii) purchase of property, equipment and software of US\$6.2 million, and (iv) provision of bridge loans of US\$2.9 million, partially offset by proceeds from disposal of short-term investments of US\$385.5 million. Our short-term investments mainly include time deposits and wealth management products offered by banks or other financial institutions in the PRC. The foregoing bridge loans relate to the short-term loans that we provided to two OEMs in September 2021. These two OEMs are also our IoT PaaS customers. We provided these loans as a way to secure our right to make equity

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investments in these companies. Both loans are interest-free and both loan agreements gave us the option to make equity investments in the borrowers. We have not entered into arrangements similar to the foregoing bridge loans with any other parties during the Track Record Period. By December 31, 2021, both loans had been fully paid and we had acquired equity interests in these two companies pursuant to the applicable loan agreements. We have accordingly recorded available-for-sale debt securities classified as long-term investments of US\$25.6 million as of December 31, 2021. For more information about such long-term investments, see “Discussion of Selected Items from the Consolidated Balance Sheets - Assets - Long-term Investments.”

Net cash used in investing activities was US\$7.9 million in 2020, which was primarily attributable to payment for short-term investments of US\$196.8 million, partially offset by (i) proceeds from disposal of short-term investments of US\$192.5 million and (ii) proceeds from disposal of a long-term investment of US\$0.2 million.

Net cash generated from investing activities was US\$8.5 million in 2019, which was primarily attributable to (i) proceeds from disposal of short-term investments of US\$281.5 million and (ii) proceeds from disposal of property, equipment and software of US\$5.0 thousand, partially offset by (i) payment for short-term investments of US\$270.4 million, (ii) purchase of property, equipment and software of US\$2.5 million and (iii) payment for long-term investments of US\$0.1 million.

Net Cash Generated from/(used in) Financing Activities

Net cash generated from financing activities in 2021 was US\$1,041.8 million, which was due to (i) net proceeds from our initial public offering on the NYSE completed in March 2021 and related over-allotment option of US\$904.7 million, (ii) proceeds from issuance of ordinary shares prior to our initial public offering on the NYSE of US\$200.0 million, and (iii) proceeds from exercise of share options of US\$1.1 million, partially offset by payment for repurchase of ordinary shares of US\$64.0 million.

Net cash used in financing activities in 2020 was US\$0.2 million, which was due to payments of deferred offering costs of US\$0.2 million, partially offset by subscription contributions from shareholders of US\$0.01 million.

Net cash generated from financing activities in 2019 was US\$174.2 million, which was primarily attributable to the net proceeds from issuance of Series D convertible preferred shares to investors in September and November 2019 of US\$178.0 million, partially offset by a payment for repurchase of convertible preferred shares of US\$3.8 million. See “History, Development and Corporate Structure” for details of the above-mentioned issuance of preferred shares.

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Working Capital

As of December 31, 2021, we had US\$1,066.1 million in cash and cash equivalents and short-term investments. As of December 31, 2021, cash and cash equivalents of total equivalent to US\$89.2 million were held by our subsidiaries in the PRC; cash and cash equivalents, mainly denominated in US\$, of total equivalent to US\$948.2 million were held by our subsidiaries in Hong Kong; and the cash and cash equivalents, mainly denominated in U.S. dollars, EUR, and Japanese Yen, of total equivalent to US\$28.7 million were held by Tuya Inc. and its other overseas subsidiaries. Our cash and cash equivalents and short-term investments consist of bank deposits and investments in short-term wealth management products offered by financial institutions in the PRC, most of which have original maturities of three months or less when purchased.

Working Capital Sufficiency Statement

Our Directors believe that taking into account our current cash and cash equivalents, balance of short-term investments, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. Taking into account the above as well as the written confirmation from the Company in respect of working capital sufficiency and due diligence work conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that will cause them to disagree with the Directors' view above.

We intend to finance our future working capital requirements and capital expenditures primarily from cash expected to be generated from operating activities and funds raised from financing activities, including the net proceeds we will receive from the Global Offering. We may not be able to obtain additional financing on terms favorable to us, if at all. For more information, see “Risk Factors – Risks Related to Our Business and Industry – We may require additional capital to support our business and response to business opportunities, and this capital might not be available on favorable terms, if at all.”

Additionally, historically we have not been profitable or generated positive operating cash flows. We generated net loss of US\$70.5 million, US\$66.9 million and US\$175.4 million in 2019, 2020 and 2021, respectively. We recorded net cash operating outflows of US\$56.6 million, US\$49.2 million and US\$126.1 million in 2019, 2020 and 2021. For more information, see “Risk Factors – Risks Related to Our Business and Industry – We have a history of net loss and net cash operating outflow and may not be able to achieve or sustain profitability in the future.”

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CAPITAL EXPENDITURES

Our capital expenditures are incurred primarily in connection with purchase of property, equipment and software. Our capital expenditures were US\$2.5 million, US\$3.2 million and US\$6.2 million, respectively, in 2019, 2020 and 2021. We intend to fund our future capital expenditures with our existing cash balance and proceeds from our initial public offering and the Global Offering. See “Future Plans and Use of Proceeds – Use of Proceeds.”

RECONCILIATION BETWEEN U.S. GAAP AND IFRS

It should be noted that the consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from IFRS. Classification and measurement of preferred shares, issuance costs, operating leases, share-based compensation and expected credit loss are our material reconciling items.

The effect of material differences between our historical financial information prepared under U.S. GAAP and IFRS is as follows.

	As of December 31, 2019							
Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		(US\$ in thousands)						
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments	
Operating lease right-of-use assets, net	8,658	–	–	(65)	–	–	–	8,593
Accounts receivable, net	5,351	–	–	–	–	(207)	–	5,144
Notes receivable	379	–	–	–	–	(2)	–	377
Prepayments and other current assets	8,008	–	–	–	–	–	–	8,008
Long-term investments	430	–	–	–	–	–	–	430
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–
Other non-current assets	769	–	–	–	–	–	–	769
Total assets	279,404	–	–	(65)	–	(209)	–	279,130

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As of December 31, 2019								
Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		<i>(US\$ in thousands)</i>						
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments	
		<i>(Note (a))</i>	<i>(Note (b))</i>	<i>(Note (c))</i>	<i>(Note (d))</i>	<i>(Note (e))</i>	<i>(Note (f))</i>	
Financial liabilities at fair value through profit or loss	–	876,933	–	–	–	–	–	876,933
Total liabilities	55,830	876,933	–	–	–	–	–	932,763
Mezzanine equity	333,667	(333,667)	–	–	–	–	–	–
Accumulated deficit	(125,562)	(565,211)	–	(65)	(2,100)	(209)	–	(693,147)
Accumulated other comprehensive (loss)/income	(2,401)	18,515	–	–	–	–	–	16,114
Additional paid-in capital	17,869	3,430	–	–	2,100	–	–	23,399
Total shareholder's deficit	(110,093)	(543,266)	–	(65)	–	(209)	–	(653,633)

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As of December 31, 2020

Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	(US\$ in thousands)							
	Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))		
Operating lease right-of-use assets, net	12,267	-	-	(180)	-	-	-	12,087
Accounts receivable, net	12,316	-	-	-	-	(236)	-	12,080
Notes receivable	9,126	-	-	-	-	(59)	-	9,067
Prepayments and other current assets	4,393	-	-	-	-	(7)	-	4,386
Long-term investments	920	-	-	-	-	-	-	920
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Other non-current assets	1,729	-	(159)	-	-	-	-	1,570
Total assets	267,323	-	(159)	(180)	-	(302)	-	266,682
Financial liabilities at fair value through profit or loss	-	2,893,045	-	-	-	-	-	2,893,045
Total liabilities	98,323	2,893,045	-	-	-	-	-	2,991,368
Mezzanine equity	333,667	(333,667)	-	-	-	-	-	-
Accumulated deficit	(192,474)	(2,582,300)	(159)	(180)	(5,492)	(302)	-	(2,780,907)
Accumulated other comprehensive income	481	19,492	-	-	-	-	-	19,973
Additional paid-in capital	27,315	3,430	-	-	5,492	-	-	36,237
Total shareholder's deficit	(164,667)	(2,559,378)	(159)	(180)	-	(302)	-	(2,724,686)

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As of December 31, 2021								
Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		(US\$ in thousands)						
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments	
		(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))	
Operating lease right-of-use assets, net	22,181	–	–	(263)	–	–	–	21,918
Accounts receivable, net	32,701	–	–	–	–	(632)	–	32,069
Notes receivable	1,393	–	–	–	–	(49)	–	1,344
Prepayments and other current assets	27,882	–	(2,148)	–	–	(23)	–	25,711
Long-term investments	26,078	–	–	–	–	–	(25,583)	495
Financial assets at fair value through profit or loss	–	–	–	–	–	–	25,583	25,583
Other non-current assets	1,818	–	–	–	–	(24)	–	1,794
Total assets	1,248,150	–	(2,148)	(263)	–	(728)	–	1,245,011
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–
Total liabilities	134,489	–	–	–	–	–	–	134,489
Mezzanine equity	–	–	–	–	–	–	–	–
Accumulated deficit	(367,898)	(5,513,140)	(5,304)	(263)	(38,815)	(728)	357	(5,925,791)
Accumulated other comprehensive income	2,320	–	–	–	–	–	(357)	1,963
Additional paid-in capital	1,526,140	5,513,140	3,156	–	38,815	–	–	7,081,251
Total shareholder's equity/(deficit)	1,113,661	–	(2,148)	(263)	–	(728)	–	1,110,522

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Year ended December 31, 2019								
Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	(US\$ in thousands)							
	Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments		
	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))		
Research and development expenses	(52,003)	–	–	166	(286)	–	–	(52,123)
Sales and marketing expenses	(37,017)	–	–	75	(222)	–	–	(37,164)
General and administrative expenses	(12,196)	(1,938)	–	14	(843)	(88)	–	(15,051)
Other non-operating expenses, net	–	–	–	(63)	–	–	–	(63)
Other losses, net	–	(282,349)	–	–	–	–	–	(282,349)
Financial income/(loss), net	3,326	–	–	(257)	–	–	–	3,069
Net loss	(70,477)	(284,287)	–	(65)	(1,351)	(88)	–	(356,268)
Other comprehensive (loss)/income	(428)	9,547	–	–	–	–	–	9,119
Net comprehensive loss	(70,905)	(274,740)	–	(65)	(1,351)	(88)	–	(347,149)

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Year ended December 31, 2020								
Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		(US\$ in thousands)						
		Classification and measurement of preferred shares	Listing expenses	Operating leases	Share-based compensation	Expected credit loss	Long-term investments	
Research and development expenses	(77,430)	–	–	186	(806)	–	–	(78,050)
Sales and marketing expenses	(37,556)	–	–	85	(1,198)	–	–	(38,669)
General and administrative expenses	(17,868)	–	(159)	20	(1,388)	(93)	–	(19,488)
Other non-operating incomes, net	–	–	–	7	–	–	–	7
Other losses, net	–	(2,017,089)	–	–	–	–	–	(2,017,089)
Financial income/(loss), net	3,220	–	–	(413)	–	–	–	2,807
Net loss	(66,912)	(2,017,089)	(159)	(115)	(3,392)	(93)	–	(2,087,760)
Other comprehensive income	2,882	977	–	–	–	–	–	3,859
Net comprehensive loss	(64,030)	(2,016,112)	(159)	(115)	(3,392)	(93)	–	(2,083,901)

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Year ended December 31, 2021								
Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments (US\$ in thousands)						Amounts as reported under IFRSs
		Classification and measurement of preferred shares (Note (a))	Listing expenses (Note (b))	Operating leases (Note (c))	Share-based compensation (Note (d))	Expected credit loss (Note (e))	Long-term investments (Note (f))	
Research and development expenses	(174,289)	–	–	394	(7,222)	–	–	(181,117)
Sales and marketing expenses	(75,384)	–	–	147	(3,542)	–	–	(78,779)
General and administrative expenses	(71,589)	–	(5,145)	30	(22,559)	(426)	–	(99,689)
Other non-operating incomes, net	1,958	–	–	96	–	–	–	2,054
Other losses – net	–	(2,950,675)	–	–	–	–	–	(2,950,675)
Financial income/(loss), net	7,286	–	–	(750)	–	–	357	6,893
Net loss	<u>(175,424)</u>	<u>(2,950,675)</u>	<u>(5,145)</u>	<u>(83)</u>	<u>(33,323)</u>	<u>(426)</u>	<u>357</u>	<u>(3,164,719)</u>
Other comprehensive income/(loss)	1,839	343	–	–	–	–	(357)	1,825
Net comprehensive loss	<u>(173,585)</u>	<u>(2,950,332)</u>	<u>(5,145)</u>	<u>(83)</u>	<u>(33,323)</u>	<u>(426)</u>	<u>–</u>	<u>(3,162,894)</u>

(a) Classification and measurement of preferred shares

Under U.S. GAAP, the preferred shares of us are accounted for as mezzanine equity. The Preferred Shares are recorded initially at fair value, net of issuance costs, and carried at the amount recorded at inception and no subsequent changes are needed.

Under IFRSs, the preferred shares, represent a financial liability with embedded features. The preferred shares are measured at fair value and designated as of fair value through profit or loss with issuance costs recorded in general and administrative expenses. The issuance costs are recorded in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in our own credit risk shall be presented in other comprehensive income; the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

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Accordingly, the reconciliation includes a fair value loss difference of US\$282.3 million, US\$2,017.1 million and US\$2,950.7 million, recognized in net loss attributable to us, a difference from change of our own credit risk of US\$9.5 million, US\$1.0 million and US\$0.3 million in other comprehensive (loss)/income in the consolidated statements of comprehensive loss for each of the years ended December 31, 2019, 2020 and 2021, respectively, and a difference of issuance cost of US\$1.9 million in general and administrative expenses for the year ended December 31, 2019. The reconciliation also includes the difference between mezzanine equity under U.S. GAAP and financial instruments under IFRSs of US\$543.3 million, US\$2,559.4 million and nil as of December 31, 2019, 2020 and 2021, respectively.

All the preferred shares of us were converted into ordinary shares upon the completion of IPO in March 2021. Consequently, there was no such reconciliation item in classification and measurement of preferred shares between U.S. GAAP and IFRSs subsequently.

(b) Listing expenses

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities (“listing expenses”) may be deferred and capitalized against the gross proceeds of the offering.

Under IFRSs, only those listing expenses considered directly attributable to the issuance of new shares to investors can be capitalized. Those listing expenses considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of US\$0.2 million for the year ended December 31, 2020 and a difference in shareholders’ deficit of US\$0.2 million as of December 31, 2020, in relation to the listing expenses incurred during the initial public offering and listing of our ADSs in the United States in March 2021. The reconciliation also includes an expense recognition difference in the consolidated statements of comprehensive loss of US\$5.1 million for the year ended December 31, 2021 and a in total shareholder (deficit)/equity of US\$2.1 million in the consolidated balance sheet as of December 31, 2021 in relation to the listing expenses of the expected Hong Kong dual primary Listing in 2022.

(c) Operating leases

For operating leases under U.S. GAAP, the subsequent measurement of the lease liability is based on the present value of the remaining lease payments using the discount rate determined at lease commencement, while the right-of-use asset is remeasured at the amount of the lease liability, adjusted for the remaining balance of any lease incentives received, cumulative prepaid or accrued rents, unamortized initial direct costs and any impairment. This treatment under U.S. GAAP results in straight line expense being incurred over the lease term, as opposed IFRSs which generally yields a “front-loaded” expense with more expense recognized in earlier years of the lease.

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Accordingly, the reconciliation includes an expenses difference recognized in the consolidated statements of comprehensive loss of US\$0.1 million, US\$0.1 million, and US\$0.1 million for each of the years ended December 31, 2019, 2020 and 2021, respectively. The reconciliation also includes a difference in total shareholders' (deficit)/equity of US\$0.1 million, US\$0.2 million and US\$0.3 million as of December 31, 2019, 2020 and 2021 respectively.

(d) Share-based compensation

We granted share options and restricted shares units with service condition only to employees and the share-based compensation expenses were recognized over the vesting period using straight-line method with election of no estimation of expected forfeitures under U.S. GAAP. While under IFRSs, the graded vesting method with forfeitures estimation must be applied. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of US\$1.4 million, US\$3.4 million and US\$33.3 million for the years ended December 31, 2019, 2020 and 2021, respectively.

(e) Expected credit loss

Under current U.S. GAAP, a number of impairment models exist for various types of financial instruments not measured at fair value through net income. These models recognize impairments when losses have been incurred, as opposed to expected in the future. For loans, the overriding concept in U.S. GAAP is that impairment losses should be recognized when, based on all available information, it is probable that a loss has been incurred based on events and conditions existing at the date of the financial statements. Losses are not to be recognized before it is probable that they have been incurred, even though it may be probable or expected based on past experience that losses will be incurred in the future. For trade receivables, most entities use reserving matrices in which historical loss percentages are applied to the respective aging categories. Those historical loss percentages typically are not adjusted for future expectations. Receivables that are either current or not yet due do not generally have a reserve. For available-for-sale securities, entities generally record an impairment loss when the decline in fair value is "other than temporary."

IFRS 9 introduced an expected loss model for financial assets. While certain simplifications exist for trade receivables, notes receivables and other current assets, the general model applies to assets at amortized cost and FVOCI. Unlike current U.S. GAAP, the model is forward looking and incorporates historical information, current information, and reasonable and supportable forecasts of future conditions. The model contains three stages for measuring impairment losses based on the changes in credit quality of the instrument since inception. Stage 1 includes financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition or that have low credit risk at the reporting date. For these assets, an entity will typically record a 12-month Expected Credit Losses (ECL). It is not the expected cash shortfalls over the 12-month period, but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Stage 2 includes financial instruments that have had a SICR since initial recognition. For these assets, lifetime

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ECL is recognized, but interest revenue is still recognized on the gross carrying amount of the asset. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised and interest revenue is calculated on the net carrying amount. An entity is required to continually assess whether a SICR has occurred. We expect that there is no significant credit risk associated with other financial assets, such as cash and cash equivalents and time deposits, since they are substantially deposited at state owned banks and other medium or large-sized listed banks.

Accordingly, the reconciliation includes an expenses recognized in the consolidated statements of comprehensive loss of US\$0.1 million, US\$0.1 million and US\$0.4 million for each of the years ended December 31, 2019, 2020 and 2021, respectively. The reconciliation also includes a decrease in assets of US\$0.2 million, US\$0.3 million and US\$0.7 million as of December 31, 2019, 2020 and 2021 respectively.

(f) Long-term Investments

We made a series of long-term investments in privately held companies (the “Investees”) during the Track Record Period. From our perspective, for those investments on which we have no significant influence, since those investments could not meet the definition of the equity instrument, and the contractual cashflow could not pass the Solely Payments of Principal and Interest (the “SPPI”) test, thus under IFRSs they should be classified as financial assets measured at fair value through profit or loss; For remaining investments on which we have significant influence, since we have some special preferential rights over the equity investments, such as redemption rights, anti-dilution rights and etc., and distinguish the risks and rights of us from other ordinary shareholders, thus under IFRSs, the long-term investments are also classified as financial assets measured at fair value through profit or loss. However, under U.S. GAAP, all forementioned investments were classified as available-for-sale debt investments and were measured at fair value through other comprehensive income.

Accordingly, the reconciliation includes a reclassification between long-term investments and financial assets at fair value through profit or loss of approximately US\$25.6 million as of December 31, 2021. For the year ended December 31, 2021, the fair value changes of our investments in these privately held companies were US\$0.4 million.

INDEBTEDNESS

Our indebtedness currently consists of lease liabilities. For details of our lease liabilities, see “– Liabilities – Lease Liabilities.” As of March 31, 2022, our lease liabilities amounted to US\$19.4 million.

Other than lease liabilities described under the section headed “Indebtedness”, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as

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of March 31, 2022. We did not have any material contingent liabilities as of December 31, 2019, 2020 and 2021 and March 31, 2022. We did not have any bank loans and/or banking facilities during the Track Record Period and up to the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Capital and other commitments

There are no future minimum capital commitments as of December 31, 2019, 2020 and 2021.

Operating lease commitment

We had outstanding commitments on several non-cancellable operating lease agreements. Operating lease commitment within one year or less lease term as of December 31, 2019, 2020 and 2021 were US\$0.3 million, US\$0.05 million and US\$0.1 million, respectively. We have elected not to recognize these operating lease commitment any lease liability or right-of-use asset, therefore they are not yet reflected in the consolidated financial statements.

Services purchase commitment

As of December 31, 2019, our services purchase commitments were as follows:

	Total	Less Than 1 year	1-3 years
	<i>(US\$ in thousands)</i>		
Purchase obligations (i)	2,924	–	2,924

As of December 31, 2020, our products and services purchase commitments were as follows:

	Total	Less Than 1 year	1-3 years
	<i>(US\$ in thousands)</i>		
Purchase obligations (i)	2,382	–	2,382

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As of December 31, 2021, our products and services purchase commitments were as follows:

	<u>Total</u>	<u>Less Than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>
		<i>(US\$ in thousands)</i>		
Purchase obligations (i)	31,771	6,146	15,000	10,625

Note:

- (i) Purchase obligations represent US\$2.9 million and US\$2.4 million of remaining non-cancelable contractual commitments as of December 31, 2019 and 2020, respectively, related to one of our third-party cloud infrastructure agreement, under which we committed to spend an aggregate of at least US\$3.0 million between May 1, 2019 and April 30, 2022 with no minimum purchase commitment during any year. We had made payments totaling US\$0.1 million and US\$0.6 million under this agreement as of December 31, 2019 and 2020, respectively.

Purchase obligations represent US\$31.8 million of remaining non-cancelable contractual commitments as of December 31, 2021, related to one of our third-party cloud infrastructure agreement, under which we committed to spend an aggregate of at least US\$37.5 million between June 1, 2021 and May 31, 2026 with minimum purchase commitment during any year. We had made payments totaling US\$5.7 million under this agreement as of December 31, 2021.

Contingencies

From time to time, we are subject to legal proceedings, investigations and claims incidental to the conduct of its business. As of December 31, 2019, 2020 and 2021, we were not involved in any legal or administrative proceedings that we believe may have a material adverse impact on our business, balance sheets or results of operations and cash flows.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 22 to the Accountant's Report included in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant

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parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance. For details of the balances with related parties categorized based on trade and non-trade nature, see Note 22 to the Accountant's Report included in Appendix I to this prospectus.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Prior to our initial public offering completed in March 2021, we were a private company with limited accounting and financial reporting personnel and other resources to address our internal controls and procedures. In connection with the audit of our consolidated financial statements as of and for the years ended December 31, 2019, 2020 and 2021, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. As defined in the standards established by the Public Company Accounting Oversight Board of the United States, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified is our company's lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge and experience to address complex U.S. GAAP accounting issues and to prepare and review financial statements and related disclosures in accordance with U.S. GAAP and SEC reporting requirement.

To remedy our identified material weakness, we have started to undertake steps to strengthen our internal control over financial reporting, including: (i) hiring more qualified resources including competent financial controllers and financial reporting managers, equipped with relevant U.S. GAAP and SEC reporting experiences and qualifications to strengthen the financial reporting function and to set up financial and system control framework, (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, (iii) formalizing the procedures and controls regarding the financial reporting process and developing and implementing a comprehensive set of U.S. GAAP policies and standardized financial closing and reporting procedures, including an accounting manual and financial closing and reporting checklists, to allow early detection, prevention and resolution of potential misstatements, (iv) enhancing an internal audit function to ensure proper design and implementation of our accounting policies and financial reporting procedures and (v) providing financial support to our accounting and financial reporting personnel to take recognised accounting qualification exams.

The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligation. See "Risk Factors – Risks Related to Our Business and Industry – If we fail to maintain proper and effective internal control over financial reporting, we may be unable to accurately or timely

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report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence and the market price of our Class A Ordinary Shares and the ADSs may be materially and adversely affected.”

As a company with less than US\$1.07 billion in revenue for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the company’s internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We have elected to take advantage of such exemptions.

Pursuant to Section 404 and the related rules adopted by the SEC, we, as a public company, are required to maintain adequate internal control over financial reporting and include our management’s assessment of the effectiveness of our company’s internal control over financial reporting in our annual report on Form 20-F for the fiscal year ending December 31, 2022. Once we cease to be an “emerging growth company” as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting.

In preparation for the Global Offering, we have engaged an independent third party consultant (the “Internal Control Consultant”) to perform a review over selected areas of our internal controls over financial reporting (the “Internal Control Review”) and a follow-up review (the “Follow-up Review”) during the period from November 2021 to January 2022. The Internal Control Review and the Follow-up Review performed by the Internal Control Consultant constituted a Long Form Report engagement pursuant to the relevant technical bulletin AATB1 issued by the Hong Kong Institute of Certified Public Accountants. The scope of the Internal Control Review performed by the Internal Control Consultant was agreed in advance between us, the Joint Sponsors and the Internal Control Consultant. The selected areas of the internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, covering revenue and receivables, purchases and payables, inventories, payroll, assets management, treasury, insurance, financial reporting, taxation, contract management, general controls of information technology, research and development, intellectual property and trademark management. The Internal Control Consultant performed the Follow-up Review in January 2022 to review the status of the actions taken by the Company to address the findings of the Internal Control Review. The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The internal control review was conducted based on information provided by us and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. On this basis, our Directors are of the view that the measures adopted for enhancing our internal control over financial reporting are adequate and effective in this

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context. Based on the due diligence works performed by the Joint Sponsors, the Joint Sponsors concur with the Directors' view that the measures adopted for enhancing the Company's internal control over financial reporting are adequate and effective.

HOLDING COMPANY STRUCTURE

Tuya Inc. is a holding company with no material operations of its own. We conduct our operations through our PRC and other international subsidiaries. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries. If our subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or PRC GAAP. In accordance with the Company Law, our consolidated VIE in China must make appropriations from their after-tax profit to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of our consolidated VIE. Appropriation to discretionary surplus fund is made at the discretion of our consolidated VIE. Pursuant to the law applicable to China's foreign investment enterprise, our subsidiaries that are foreign investment enterprise in the PRC have to make appropriation from their after-tax profit, as determined under PRC GAAP, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of our subsidiary. Appropriation to the other two reserve funds are at our subsidiary's discretion.

We are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries in China through capital contributions or loans, subject to the approval of government authorities and limits on the amount of capital contributions and loans. In addition, our subsidiaries in China may provide RMB funding to our consolidated VIE only through entrusted loans. See "Risk Factors – Risks Related to Doing Business in China – PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may restrict or delay us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries and making loans to our Consolidated Affiliated Entity or its subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business" and "Future Plans and Use of Proceeds." The ability of our subsidiaries in China to make dividends or other cash payments to us is subject to various restrictions under PRC laws and regulations. See "Risk Factors – Risks Related to Doing Business in China – We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make

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payments to us could have a material and adverse effect on our ability to conduct our business” and “Risk Factors – Risks Related to Doing Business in China – If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.”

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.

Foreign Exchange Risk

We currently derive a significant majority of our revenues from IoT PaaS which, in turn, are generated primarily through our contracts with OEMs located in the PRC. These revenues are predominantly denominated in RMB. A substantial portion of our expenses are also denominated in RMB. Our reporting and functional currency is the U.S. dollar. The financial statements of our subsidiaries and consolidated affiliated entities using functional currencies other than U.S. dollar, such as RMB, are translated to the U.S. dollar. As a result, as RMB depreciates or appreciates against the U.S. dollar, our revenue presented in U.S. dollars will be negatively or positively affected.

We do not believe that we currently have any significant direct foreign exchange risk arising from our operating activities. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in the ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in RMB, while the ADSs representing our Class A ordinary shares will be traded in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government have announced in the past, and may announce in the future, changes to the exchange rate system and there is no guarantee that the RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of RMB against the U.S. dollar would reduce the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. dollar against the RMB would reduce the U.S. dollar amounts available to us.

As of December 31, 2021, we had Renminbi-denominated cash and cash equivalents of RMB254.8 million, and U.S. dollar-denominated cash, cash equivalents of US\$922.7 million.

Inflation Risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were increases of 2.9%, 2.5% and 0.9%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

RECENT ACCOUNTING PRONOUNCEMENTS

For detailed discussion on recent accounting pronouncements, see Note 2 to the Accountant's Report included in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we did not have any distributable reserves.

LISTING EXPENSES

Based on the indicative offer price per Offer Share of HK\$22.80, the total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK\$72.0 million (equivalent to approximately US\$9.2 million), assuming the Over-allotment Option is not exercised. These listing expenses mainly comprise professional fees paid and payable to the professional parties, and commissions payable to the Underwriters, for their services rendered in relation to the Listing and the Global Offering. The balance of underwriting related expenses is approximately HK\$18.4 million. The balance of non-underwriting related expenses approximately of HK\$53.6 million primarily includes fees and expenses of legal advisors and accountants of HK\$40.0 million and other fees and expenses.

As of March 31, 2022, HK\$2.7 million had been charged to consolidated statement of comprehensive loss. Assuming the Over-allotment Option is not exercised and based on Offer Price of HK\$22.80 per Offer Share, the Listing expenses (including underwriting commissions) are estimated to be HK\$72.0 million, accounting for 43.2% of our gross proceeds. We estimate

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that an additional listing expense of HK\$2.1 million is expected to be charged to our consolidated statement of comprehensive loss and HK\$67.2 million is expected to be charged to our equity upon completion of the Global Offering.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our unaudited consolidated net tangible assets attributable to the shareholders of the Company as of March 31, 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company are based on the unaudited consolidated net tangible assets attributable to the shareholders of the Company as of March 31, 2022, as shown in our Unaudited First Quarter 2022 Financial Information, the text of which is set out in Appendix IIB to this prospectus and adjusted as described below.

	Unaudited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to ordinary shareholders of the Company	Unaudited pro forma net tangible assets per Share ⁽³⁾	
	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	U.S. Dollars	Hong Kong Dollars ⁽⁴⁾
Based on an Offer					
Price of					
HK\$22.80 per					
Share	1,052,067	12,377	1,064,444	1.89	14.84

Notes:

- (1) The unaudited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 has been extracted from our Unaudited First Quarter 2022 Financial Information as set out in Appendix IIB to this prospectus which is based on the unaudited consolidated net assets attributable to shareholders of the Company as of March 31, 2022 of US\$1,052,067,000.

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- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$22.80 per Share, after deduction of the underwriting fees and other related expenses payable by us (excluding listing expenses of approximately US\$0.3 million which have been charged to the consolidated statements of comprehensive loss prior to March 31, 2022) and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to 2015 Equity Incentive Plan.
- (3) The unaudited pro forma net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 563,113,405 Shares were in issue assuming that the Global Offering had been completed on March 31, 2022 (for the purpose of this unaudited pro forma financial information excluding 5,433,895 Class A Ordinary Shares issued for future issuances upon the exercising or vesting of awards granted under the 2015 Equity Incentive Plan and 9,999,260 ADSs repurchased by the Company, representing 9,999,260 Class A Ordinary Shares) but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to 2015 Equity Incentive Plan.
- (4) For the purpose of this unaudited pro forma net tangible assets per Share, the amounts stated in United States dollars are converted into Hong Kong dollars at a rate of US\$1.00 to HK\$7.8494. No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of us entered into subsequent to March 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2021, the end of the period reported on the Accountant's Report included in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

The Company, as a management led and controlled business, has been managed and controlled by Mr. Wang, Mr. Chen and Mr. Zhou who are also part of the core management members, under the leadership of Mr. Wang and Mr. Chen assisted by Mr. Yang (our executive Director and chief operation officer) and Ms. Liu Yao (our executive Director, senior vice president and chief financial officer) and a number of senior management members.

The trust, bonding and business relationship among Mr. Wang, Mr. Chen and Mr. Zhou goes way back for more than 20 years. They became acquainted with each other when they studied at Zhejiang Sci-Tech University (浙江理工大學). Mr. Wang founded PHPWind back in 2003 and Mr. Chen was the co-founder. Mr. Zhou joined Hangzhou Detian Information Technology Co., Ltd. (杭州德天信息技術有限公司) in 2006, which operated PHPWind and was acquired by Alibaba Group in 2008. Prior to founding the Group, Mr. Wang, Mr. Chen and Mr. Zhou had been co-workers serving Alibaba Group for approximately six years from 2008 to 2014. As a result of the long-term acquaintance, trust and business relationship among Mr. Wang, Mr. Chen and Mr. Zhou, they have been owning, managing and operating the business of our Group as an integral unit in pursuing its business strategies and objectives and are the core members involved in the decision making process of our Group in respect of all key operational strategies and financial matters of our Group since its establishment. Mr. Wang and Mr. Chen (as founders), and Mr. Zhou (as co-founder) are a group of shareholders and managers, who have cooperated with each other and maintain the management of our Group together, operated the Group as a single business venture in a collective manner and made collective decisions with strategic consensus in respect of the key decisions of the members of the Group. They frequently and regularly have meetings to discuss the business affairs of the Group and made all major decision in relation to the Group collectively. Mr. Wang, Mr. Chen and Mr. Zhou have also assumed executive roles of chief executive officer, president and chief technology officer of our Group, respectively.

Each of Mr. Wang and Mr. Chen is an executive Director. Undergirded with the mutual understanding and trust among, Mr. Wang, Mr. Chen and Mr. Zhou, and given that they always discuss and reach consensus on key decisions as Shareholders mentioned above, Mr. Zhou, being our chief technology officer, is not serving as our Director, but has dedicated his time and energy to focus more on management of the technology research and development of products of our Group. As a matter of fact, Mr. Wang, Mr. Chen and Mr. Zhou have always voted in the same manner in the historical shareholders' meeting and it is expected that this will remain unchanged when they exercise the voting rights at the shareholders' meeting in the future.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Wang, Mr. Chen and Mr. Zhou, through the following intermediaries controlled or wholly owned by them, are interested in an aggregate of 84,600,000 Class A Ordinary Shares and 79,400,000 Class B Ordinary Shares:

- (i) Mr. Wang, through Tuya Group Inc. (which is wholly owned by Mr. Wang), Tenet Group and Tenet Vision (both of which are wholly owned by Tenet Global which is in turn wholly owned by Tenet Smart, and Tenet Smart is wholly owned by TMF (Cayman) Ltd. as the trustee of Wang's Family Trust, of which the settlor is Mr. Wang and the beneficiaries are Mr. Wang and Tuya Group Inc.), has been controlling 63,000,000 Class A Ordinary Shares and 50,600,000 Class B Ordinary Shares;
- (ii) Mr. Chen through Unileo, his wholly-owned intermediary holding company, has been controlling 28,800,000 Class B Ordinary Shares; and
- (iii) Mr. Zhou through Valgolden, his wholly-owned intermediary holding company, has been controlling 21,600,000 Class A Ordinary Shares.

Without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan, the 84,600,000 Class A Ordinary Shares and 79,400,000 Class B Ordinary Shares controlled by Mr. Wang, Mr. Chen and Mr. Zhou, through the aforementioned intermediaries controlled or wholly owned by them, represent (a) approximately 28.71% of our issued Shares; (b) approximately 76.98% of the effective voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share, (c) approximately 30.06% with respect to shareholder resolutions relating to Reserved Matters in the Company, on the basis that each Share entitles the Shareholder to one vote per share^(Note) and (d) approximately 69.72% of the effective voting rights in our Company, assuming that Class A Ordinary Shares entitle the Shareholder to one vote per share and the exercise of voting rights attached to Class B Ordinary Shares will be capped at ten votes per share. Therefore, each of Mr. Wang, Mr. Chen, Mr. Zhou, Tuya Group Inc., Tenet Group, Tenet Vision, Tenet Global, Tenet Smart, Unileo and Valgolden form a group of Controlling Shareholders.

Immediately after the completion of the Global Offering, assuming (i) the Over-allotment Option is not exercised and (ii) no further Shares are issued under the 2015 Equity Incentive Plan, and without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan, our Controlling Shareholders are interested in (a) approximately 28.35% of our issued Shares; (b) approximately 76.64% of the voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share, (c) approximately 29.66% with respect

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

to shareholder resolutions relating to Reserved Matters, on the basis that each Share entitle the Shareholder to one vote per share^(Note) and (d) approximately 69.32% of the effective voting rights in our Company, assuming that Class A Ordinary Shares entitle the Shareholder to one vote per share and the exercise of voting rights attached to Class B Ordinary Shares will be capped at ten votes per share. Each of Mr. Wang, Mr. Chen, Mr. Zhou, Tuya Group Inc., Tenet Group, Tenet Vision, Tenet Global, Tenet Smart, Unileo and Valgolden remain as a group of Controlling Shareholders after Listing.

Beneficial ownership, economic interest and control over the voting rights in Wang's Family Trust

Based on the trust deed (the “**Trust Deed**”) dated February 1, 2021 entered into among Mr. Wang and TMF (Cayman) Ltd. as the trustee, Mr. Wang is the sole settlor, the sole protector/protective committee member, and the sole investment decision maker/investment committee member of Wang's Family Trust. In addition to Mr. Wang and Tuya Group Inc. (wholly owned by Mr. Wang) which have been specifically identified and named as the beneficiaries under the Trust Deed, the category of beneficiaries may also include any other persons or class of persons (or charitable objects) that are added by the Trustee from time to time with the requisite written consent of the protective committee member. As of the Latest Practicable Date, no other persons or class of persons or charitable objects have been added as beneficiaries. As advised by Appleby (Cayman) Ltd, our legal advisor on Cayman Islands law in respect of certain aspects of Wang's Family Trust, the control over administration and operation of Wang's Family Trust is vested solely in Mr. Wang in his different capacities as settlor, first protector and investment decision maker. The powers held by Mr. Wang are personal to him and not fiduciary and may be exercised without regard to the interests of any of the beneficiaries. Mr. Wang and Tuya Group Inc. (wholly owned by Mr. Wang) are the only ascertainable beneficiaries. If any appointment of income or capital were to be made out of Wang's Family Trust by the trustee, with the consent of Mr. Wang as the protector, the payment would by necessity benefit either Mr. Wang or Tuya Group Inc. (exclusively and wholly controlled by Mr. Wang). As a result, Mr. Wang ultimately has full control over the beneficial and economic interests in Wang's Family Trust, and the sole ultimate voting control over the Shares held under Wang's Family Trust.

As further set out below which illustrates the rights and powers of each of the settlor, trustee, protector/protective committee member, investment decision maker/investment committee member and beneficiaries, any changes and/or additions of the settlor, protector/protective committee member, investment decision maker/investment committee member and/or beneficiaries of Wang's Family Trust (whether due to death, resignation,

Note: According to the deposit agreement in respect of our ADS, the Depositary shall not vote or attempt to exercise the right to vote that attaches to the deposited Shares at any meeting of our Shareholders other than in accordance with instructions given by the ADS holders and received by the Depositary. Since the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan are not held on behalf of any ADS holder by the Depositary before exercise or vesting of awards, the voting rights attached to these Shares are not taken into account for calculating the voting rights of our Shareholders in our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

incapacitation, petition for bankruptcy or winding up being presented) will materially impact beneficial ownership, the economic interests vested in Mr. Wang and Tuya Group Inc. as beneficiaries of Wang's Family Trust and the powers entrusted to Mr. Wang as settlor, protector/protective committee member and investment decision maker/investment committee member, including control over the voting rights in the relevant Class B Ordinary Shares held by Tenet Vision.

In the event that there is any change of settlor, protector/protective committee member, investment decision maker/investment committee member and beneficiaries of Wang's Family Trust to person(s) other than Mr. Wang (whether due to death, resignation, incapacitation, petition for bankruptcy or winding up being presented) and/or there is a change in beneficial interest, economic interest or control over the voting rights over the Shares held by Tuya Group Inc. from Mr. Wang to other person(s), the beneficial ownership of, or economic interest in, the Class B Ordinary Shares (which forms the trust fund) or the control over the voting rights attached to the Class B Ordinary Shares held by Tenet Vision vested in Mr. Wang will be materially affected. Accordingly, in such events, the weighted voting rights under the Class B Ordinary Shares shall cease and the Class B Ordinary Shares shall be converted into Class A Ordinary Shares accordingly on a one to one ratio. As advised by Appleby (Cayman) Ltd, changes in the trustee shall not impact the beneficial ownership, economic interest or the control over the voting rights attached to the Shares held under Wang's Family Trust because the trustee has very limited powers under Wang's Family Trust and cannot make any material decisions without notice to or the consent of Mr. Wang in his capacity as the first protector and are subject to investment directions from Mr. Wang in his capacity as the investment decision maker.

Please see below the rights and powers of each of the settlor, trustee, protector/protective committee member, investment decision maker/investment committee member and beneficiaries, and the mechanism and circumstances for the changes and/or additions of the aforementioned roles.

(a) *Settlor (Mr. Wang)*

Rights and powers

All the investment functions, responsibilities, powers or duties relating to the settlement under Wang's Family Trust shall be vested in the settlor or such persons as the settlor may nominate in writing delivered to the trustee. The settlor is also entitled to revoke such nomination at any time by notice in writing delivered to the trustee. The settlor also has the power to offer, pay or transfer additional money, investment or property to the trustee to hold on the terms of the trust.

The settlor is entitled to exercise the power to direct the trustee to hold the trust fund and the income for persons or entities as the settlor may appoint and in the manner as the settlor shall in his discretion think fit, which is expressed to take effect upon the settlor's death or by will or codicil.

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(b) *Trustee (TMF (Cayman) Ltd.)*

Rights and powers

The trustee has the powers to, on the direction or with the written consent of protective committee or investment decision maker/investment committee member (as applicable), (i) pay, transfer or appoint the income or the capital of the trust fund to, or for the benefit of, the beneficiaries, within or outside the settlement; (ii) add and remove beneficiaries and exclude persons or objects from benefit under Wang's Family Trust; (iii) carry on the general administration of Wang's Family Trust in any jurisdiction and change the governing law of Wang's Family Trust and (iv) vary, amend, add to or delete any provision of Wang's Family Trust.

The trustee does not have any investment functions, responsibilities, powers or duties relating to Wang's Family Trust, and shall ensure that any relevant investment company complies with any investment directions given by the investment decision maker.

Mechanism and circumstances for the change and/or additions

Based on the Trust Deed, in the event of the death, dissolution, withdrawal, refusal to act or disqualification from acting as trustee of the existing trustee, the settlor as appointor can appoint one or more persons or companies to be the replacement trustee. After the settlor's lifetime or while the settlor is incapacitated, then the protective committee can appoint the trustee. If there is no protective committee or if the protective committee is unable to act, the remaining trustee can appoint additional trustees. If there is no trustee in existence or the sole trustee is unable to act, then the Grand Court of the Cayman Islands or the courts of other jurisdiction shall be the forum for administration of the trust. The aforementioned appointor may by deed remove any trustee, subject to the condition that not all the trustees may be removed unless by the same deed the appointor appoints a new or additional trustee(s).

A trustee may also give 60 days' written notice to the settlor as appointor and other trustees of his or her intention to retire as a trustee and if the settlor as appointer has not appointed a replacement trustee within the notice period, then he may appoint a replacement trustee.

As of the Latest Practicable Date, Mr. Wang, as the settlor, has no intention to change the trustee of Wang's Family Trust before or after the Listing.

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(c) *Protector/protective committee member (Mr. Wang)*

Rights and powers

The exercise of the power of appointment of capital and income of the trust fund for the beneficiaries, and the appointment of trust assets at the end of the trust period shall not be exercisable unless with the requisite written consent of the protective committee. In particular, written consent has to be obtained from the protective committee before the trustee can pay, transfer or appoint the income or the capital of the trust fund to, or for the benefit of, the beneficiaries, within or outside the settlement. The trustees must obtain prior or simultaneous written consent from the protective committee to (i) add or remove any persons or class of persons or charitable objects as the beneficiaries; (ii) exclude any persons or objects who would become beneficiaries to be excluded from future benefit; (iii) amend any terms of the settlement.

Mechanism and circumstance for the change and/or additions

Based on the Trust Deed, Mr. Wang, as the first member of the protective committee, is the first protector of Wang's Family Trust. The settlor, or after the settlor's lifetime or while the settlor is incapacitated, the protective committee may appoint any person to be an additional member of the protective committee, or nominate a person to become a member of the protective committee on any vacancy arising, or on a specified member ceasing to be a member of the protective committee. In the event that there is no member of the protective committee, the trustee may appoint any person not being a trustee to be a member of the protective committee. The settlor may remove a member of the protective committee if notice is given to the trustee. A person may cease to be a member of the protective committee in the event of death, incapacitation, petition for bankruptcy or winding up being presented against him or resignation.

Since the establishment of Wang's Family Trust, Mr. Wang has been the sole protective committee member. As of the Latest Practicable Date, Mr. Wang has no intention to exercise his power under the Trust Deed to appoint any person to be an additional member of the protective committee or nominate any person to replace him as the protector upon his ceasing to be a protector.

(d) *Investment decision maker/investment committee member (Mr. Wang)*

Rights and powers

The investment decision maker/investment committee member has the power to make all decisions in relation to the purchase, sale, exchange, mortgage, charge, pledge or retention of underlying investments and exercise of any voting and other rights and may give written directions to the trustee or the relevant investment

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

company for execution of the aforementioned decisions. All of the investment functions, responsibilities, powers or duties relating to Wang's Family Trust are vested in the settlor as the investment decision maker. The investment decision maker has all of the investment powers of a beneficial owner, except that they may only direct investments or transactions which are defined as authorized investments.

Mechanism and circumstances for the change and/or additions

Based on the Trust Deed, Mr. Wang, as the settlor, is the investment committee member of Wang's Trust. The settlor or the existing investment committee member may appoint any person to be additional member of the investment committee, or nominate any person to become a member of the investment committee on any vacancy arising, or on a specified member ceasing to be a member of the investment committee. In the event that there is no member of the investment committee, the protective committee or failing which, the trustee may appoint any person to be a member of the investment committee. The investment committee may remove a member of the investment committee if notice is given to the trustee. A person may cease to be a member of the investment committee in the event of death, incapacitation, petition for bankruptcy or winding up being presented against him or resignation.

Since the establishment of Wang's Family Trust, Mr. Wang has been the sole investment decision maker/investment committee member. As of the Latest Practicable Date, Mr. Wang has no intention to exercise his power under the Trust Deed to appoint any person to be an additional member of the investment committee or to nominate any person to replace him as the investment decision maker/investment committee member upon his ceasing to be an investment decision maker/investment committee member.

(e) Beneficiaries (Mr. Wang and Tuya Group Inc.)

Rights and powers

The interests of the beneficiaries are wholly discretionary and ultimately depend on the exercise of the trustee's powers with notice to or the consent of Mr. Wang who is the protector. Discretionary beneficiaries under the trust have no proprietary interests in the trust fund, but only have a "right to be considered" for benefit and to compel due administration of the trust.

Mechanism and circumstances for the change and/or additions

Based on the Trust Deed, Mr. Wang (as the settlor), Tuya Group Inc., and any other persons or class of persons (or charitable objects) that are added by the Trustee from time to time with the requisite written consent of the protective committee member (i.e. Mr. Wang) are the beneficiaries. The protective committee can instruct

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

the trustee to add or remove any persons or class of persons or charitable objects as the beneficiaries; or exclude any persons or objects who would become beneficiaries to be excluded from future benefit.

Since the establishment of Wang's Family Trust, Mr. Wang and Tuya Group Inc. have been the beneficiaries of the trust. As of the Latest Practicable Date, Mr. Wang as the sole protective committee member, has not exercised his power as a protective committee member to instruct the trustee to add any persons as beneficiaries.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and its close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising four executive Directors, one non-executive Director and four independent non-executive Directors. For more information, please see the section headed "Directors and Senior Management" in this prospectus.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have four independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in the paragraph headed “– Corporate Governance Measures” in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role in our business independently from our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Company (through our subsidiaries and Consolidated Affiliated Entity) holds all material licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

In addition, pursuant to the Contractual Arrangements, our Directors are authorized to exercise all of the rights of the Registered Shareholders. Our Group is entitled to enjoy all the economic benefits of our Consolidated Affiliated Entity and to exercise management control over its operations. Pursuant to Exclusive Option Agreement, our Company, through its subsidiary Tuya Information, has been granted an irrevocable and exclusive option to purchase equity interest in Hangzhou Tuya Technology at RMB1.00, unless a higher minimum price is required under the PRC law, or an irrevocable and exclusive option to purchase any or all of the assets of Hangzhou Tuya Technology at the lowest purchase price permitted by PRC law. In addition, our Company, through Tuya Information, has exclusive and proprietary ownership, rights and interest in all intellectual properties arising out of or created during the performance of the Exclusive Business Cooperation Agreement.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or its associates will be outstanding as of the Listing Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the Listing.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing good standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

In light of this, the Company has established a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision A.2.1 in Part 2 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules effective Upon Listing. The members of the corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to its WVR structure.

We will also adopt the following corporate governance measures to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates have a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after Listing;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Guotai Junan Capital Limited as our compliance advisor on a permanent basis to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, compensation committee, nomination committee and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules effective upon Listing.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain agreements with our connected persons. Following Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

We will continue to be subject to and regulated by the rules of the SEC and NYSE and other applicable U.S. laws and regulations so long as the ADSs are publicly traded on NYSE. The requirements of the Listing Rules relating to connected transactions are different in many aspects from comparable rules in the U.S. In particular, the definition of a connected person under the Listing Rules is different from the definition of related parties under the SEC and NYSE rules. Therefore, a connected transaction as defined under the Listing Rules may or may not constitute a related party transaction under applicable SEC and NYSE rules, and vice versa.

Details of the continuing connected transactions of the Group following the Listing are set out below.

CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name	Connected Relationship
Tencent Cloud Computing (Beijing) Company Limited (騰訊雲計算(北京)有限責任公司) (“ Tencent Cloud ”)	a company which is a subsidiary of Tencent (together with its subsidiaries, the “ Tencent Group ”), one of our substantial shareholders
Mr. Wang	Executive Director, co-chairman of the Board, chief executive officer of our Company and substantial shareholder of our Company and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Chen	Executive Director, co-chairman of the Board and substantial shareholder of our Company and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Zhou	Substantial shareholder of our Company and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules
Mr. Lin Yaona	A director of Zhejiang Tuya and substantial shareholder of Hangzhou Tuya Technology and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules

CONNECTED TRANSACTIONS

			Proposed annual cap for the year ending December 31		
Transaction	Applicable Listing Rules	Waiver sought	2022	2023	2024
(in RMB million)					
A. Partially-exempt continuing connected transaction					
Cloud Services and Technical Services Framework Agreement	14A.35, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	13.0	16.0	20.0
B. Non-exempt continuing connected transaction					
Contractual Arrangements	14A.35, 14A.36, 14A.49, 14A.52, 14A.53 to 59, 14A.71, 14A.105	Requirements as to announcement, circular, independent Shareholders’ approval, annual cap and fixed term under Chapter 14A of the Listing Rules	N/A	N/A	N/A

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Cloud Services and Technical Services Framework Agreement

Principal Terms of the Transaction

On June 14, 2022, we have entered into a cloud services and technical services framework agreement with Tencent Cloud (the “**Cloud Services and Technical Services Framework Agreement**”), pursuant to which Tencent Cloud will provide us with cloud services and other cloud-related technical services including but not limited to computing and network, cloud servers, cloud database, cloud security, monitoring and management, domain name resolution services, video services, big data and AI and other products and services.

The initial term of the Cloud Services and Technical Services Framework Agreement will commence from June 1, 2022 and will expire on December 31, 2024, subject to negotiation at renewal with mutual consent and in compliance with the Listing Rules.

Subject to the terms as provided in the Cloud Services and Technical Services Agreement, we will enter into specific agreement or place specific orders with Tencent Cloud to set out the specific terms and conditions for the cloud services and technical services.

CONNECTED TRANSACTIONS

Historical amount, annual caps and basis for annual caps

The historical amount of service fees charged for the cloud services and technical services was approximately RMB1.9 million, RMB5.2 million and RMB10.5 million for the years ended December 31, 2019, 2020 and 2021, respectively.

The proposed annual caps of the service fees contemplated under the Cloud Services and Technical Services Agreement are approximately RMB13.0 million, RMB16.0 million and RMB20.0 million for the years ending December 31, 2022, 2023 and 2024, respectively.

In arriving the proposed annual caps of the services fees above, the Board have considered the following factors:

- (i) the aforesaid historical transaction amounts and the existing agreement between our Group and Tencent Group. The services fees charged for cloud services and technical services provided by Tencent Group increased significantly during the Track Record Period, primarily due to our increasing demand for reliable and cost-efficient cloud services as a result of the overall growth of our business which involves collaborating with the cloud services provider to provide cloud infrastructure for our platform;
- (ii) the collaboration with Tencent Group due to its stable and cost-efficient services; and
- (iii) the expected growing demand of our Group for the cloud services and technology services from Tencent Group for the years ending December 31, 2022, 2023 and 2024, primarily resulting from overall growth of our business, the expected expansion of customers' usage of our IoT cloud development platform over time, further development of our additional features and functionalities to our PaaS offerings and potential growth of our IoT PaaS customers. In particular, as described in the paragraph headed "Business – Research & Development", we expect to continue to devote resources to research and development activities to enhance our competitive edge to develop new product features and improve our IoT cloud development platform. In addition, as disclosed in the paragraph headed "Business – Our Growth Strategies", for the trailing 12-month period ended December 31, 2021, the dollar-based net expansion rate of our IoT PaaS customers was 153%, demonstrating our strong ability to continue to expand customers' usage of its IoT cloud development over time and to grow revenue generated from existing customers in the future. As a result of the increasing research and development activities as our business grows, and the increasing customers' usage of our IoT cloud development, given that our IoT PaaS is deployed on cloud infrastructures, we expect to incur increasing expenses in respect of the cloud services and technical services to leverage Tencent Group's cloud infrastructure to increase the operational efficiency of our cloud-based services as a result of our Group's business growth.

CONNECTED TRANSACTIONS

Reason for the transactions

Tencent Group is a leading integrated services provider in the PRC which provides a wide range of reliable and cost-efficient cloud services and technical services. By making use of Tencent Group's cloud computing infrastructure to enhance our cloud-based applications and technology capabilities, we are able to leverage the flexibility of cloud computing and support our business growth. Given that we have a strong demand for cloud services in our business, we believe that obtaining such outsourced services from Tencent Group as a leading integrated services provider is a cost-effective alternative to build all supporting technology infrastructure internally. We will be able to enhance our information technology efficiency, and in the meantime reduce unnecessary management resources and cost incurred from purchase of additional technology hardware and tools and recruitment of additional information technology and maintenance staff if we enter into the Cloud Services and Technical Services Framework Agreement to purchase the relevant services from Tencent Group.

Pricing basis

The services fees of cloud services and technical services contemplated under the Cloud Services and Technical Services Agreement are determined on arm's length basis between our Group and Tencent Group based on the fee rate set by Tencent Group published on its websites and with reference to the prevailing market prices. The service fee rates of the cloud services and technical services vary depending on exact type of services involved and are determined based on the factors including but not limited to bandwidth, size of data storage and servers. Before entering into the cloud services and technical services agreement, we will assess our business needs, collect and compare the fee rate proposed by Tencent Group with the fee rate offered by other comparable service providers. In addition, we will take into account a number of factors, including but not limited to (i) the exact type of services involved; (ii) the quality, reliability and stability of cloud services and technical services of different service providers; and (iii) the service fee rate. We will compare the results and only purchase cloud services and technical services from Tencent Group when (i) the terms and conditions are fair and reasonable and on normal or no less favorable than those offered by other comparable service providers; and (ii) it is in the best interest of the Company and the Shareholders as a whole.

Information about Tencent Cloud

Tencent Cloud is a limited liability company established in the PRC on October 21, 2010, which is a wholly-owned subsidiary of Tencent. Tencent Cloud is primarily engaged in the provision of information system integration services, IaaS, PaaS and SaaS solutions in the PRC.

Listing Rules Implications

The transactions contemplated under the Cloud Services and Technical Services Agreement are conducted in the ordinary and usual course of business and on normal commercial terms.

CONNECTED TRANSACTIONS

Immediately after the Global Offering, Tencent (through the Class A Ordinary Shares held by Tencent Mobility Limited and the Class A Ordinary Shares represented by ADSs owned by Image Frame Investment (HK) Limited) will hold more than 10% of the voting rights of the Company, on the basis that each Share entitle the Shareholder to one vote per Share with respect to shareholder resolutions relating to Reserved Matters. Therefore, Tencent is a connected person of the Company. It is expected that the highest of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background for the Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" of this prospectus, it is not viable for our Company to hold Hangzhou Tuya Technology directly through equity ownership. Therefore, in order for our Group to effectively control and enjoy the entire economic benefits of Hangzhou Tuya Technology, a series of Contractual Arrangements have been entered into among Tuya Information, Hangzhou Tuya Technology, and the Registered Shareholders. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Hangzhou Tuya Technology in consideration for the services provided by Tuya Information to Hangzhou Tuya Technology; (ii) exercise effective control over Hangzhou Tuya Technology; and (iii) hold an exclusive option to purchase the equity interests and assets in Hangzhou Tuya Technology to the extent permitted by PRC law.

Principal Terms of the Transactions

The Contractual Arrangements consist of (a) Exclusive Business Cooperation Agreement, (b) Exclusive Option Agreements, (c) Equity Interest Pledge Agreements, (d) Powers of Attorney and (e) Spouse Consents. For detailed terms of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this prospectus.

Listing Rules Implications

As set out in the paragraph headed "– Connected Persons" in this section, certain parties to the Contractual Arrangements, including Mr. Wang, Mr. Chen, Mr. Zhou and Mr. Lin Yaona, are connected persons of our Group. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Group under the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

The transactions will be subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application and the View of our Directors on the Continuing Connected Transaction

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent shareholders' approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

APPLICATION FOR AND CONDITIONS FOR WAIVER

In relation to the Cloud Services and Technical Services Agreement, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange.

We expect that the partially exempt and non-exempt continuing connected transactions disclosed above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval (as applicable) requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the

CONNECTED TRANSACTIONS

Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject however to the following conditions:

- (a) *No change without independent non-executive Directors' approval* – No change to the Contractual Arrangements (including with respect to any fees payable to Tuya Information thereunder) will be made without the approval of the independent non-executive Directors.
- (b) *No change without independent Shareholders' approval* – Save as described in “(d) Renewal and Reproduction” below, no change to the agreements constituting the Contractual Arrangements will be made without the approval of our Company’s independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement, circular or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in “Ongoing Reporting and Approvals” below) will however continue to be applicable.
- (c) *Economic benefits flexibility* – The Contractual Arrangements shall continue to enable our Group to receive the entire economic benefits derived by Hangzhou Tuya Technology through (i) our Group’s option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests in Hangzhou Tuya Technology for nominal consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the entire profit generated by Hangzhou Tuya Technology is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Tuya Information by Hangzhou Tuya Technology under the Exclusive Business Cooperation Agreement, and (iii) the Group’s right to control the management and operation of, in substance, all of the voting rights of Hangzhou Tuya Technology.
- (d) *Renewal and reproduction* – On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Hangzhou Tuya Technology, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or

CONNECTED TRANSACTIONS

reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals* – Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Hangzhou Tuya Technology to the Relevant Shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Hangzhou Tuya Technology during the relevant financial period under paragraph (iii) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.
- Our Company’s auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Hangzhou Tuya Technology to the Relevant Shareholders which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entity will be treated as our Company’s wholly-owned subsidiary, and at the same time, the directors, chief executive officers or substantial shareholders of the Consolidated Affiliated Entity and its associates will be treated as connected persons of our Group (excluding for this purpose, the Consolidated Affiliated Entity), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

- Hangzhou Tuya Technology will undertake that, for so long as the Shares are listed on the Stock Exchange, Hangzhou Tuya Technology will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the connected transactions.

DIRECTORS' AND JOINT SPONSORS' VIEW

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that the continuing connected transactions disclosed in this section have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Accordingly, we expect that the partially exempt and non-exempt continuing connected transactions disclosed in this section will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

Based on the documentation, information and data provided by the Company, the representations and confirmations provided by the Company and the Directors to the Joint Sponsors, and participation in due diligence and discussions with the management of the Company and the PRC Legal Advisor, the Joint Sponsors are of the view that:

1. the Contractual Arrangements and the transactions contemplated under the Cloud Services and Technical Services Framework Agreement, have been and will be entered into in the ordinary and usual course of the Company's business, on normal commercial terms, that are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole and the proposed annual caps of the transactions contemplated under the Cloud Services and Technical Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
2. with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entity can be effectively controlled by Tuya Information, (ii) Tuya Information can obtain the economic benefits derived from Consolidated Affiliated Entity, and (iii) any possible leakages of assets and values of Consolidated Affiliated Entity can be prevented, on an uninterrupted basis.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company upon the Listing:

Authorized Share Capital

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)
Class A Ordinary Shares of a par value of US\$0.00005 each	800,000,000	40,000.00
Class B Ordinary Shares of a par value of US\$0.00005 each	<u>200,000,000</u>	<u>10,000.00</u>
Total	<u><u>1,000,000,000</u></u>	<u><u>50,000.00</u></u>

Issued Share Capital

The issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued pursuant to the 2015 Equity Incentive Plan) will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US\$)	% of the issued share capital (%)
Class A Ordinary Shares in issue as at the Latest Practicable Date	491,846,560	24,592.33	85.02
Class B Ordinary Shares in issue as at the Latest Practicable Date	79,400,000	3970.00	13.72
Class A Ordinary Shares to be issued pursuant to the Global Offering	<u>7,300,000</u>	<u>365.00</u>	<u>1.26</u>
Total	<u><u>578,546,560</u></u>	<u><u>28,927.33</u></u>	<u><u>100.00</u></u>

SHARE CAPITAL

WVR STRUCTURE

The Company has a WVR Structure. Under the current structure, the Company's share capital comprises Class A Ordinary Shares and Class B Ordinary Shares; each Class A Ordinary Share entitles the holder to exercise one vote, and each Class B Ordinary Share currently entitles the holder to exercise fifteen votes, on any resolution tabled at the Company's general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote. We have obtained irrevocable undertaking from each of Mr. Wang and Mr. Chen, being the WVR Beneficiaries, that they shall procure the intermediaries holding the Class B Ordinary Shares as controlled by them (Tuya Group Inc., Tenet Vision and Unileo) to exercise no more than ten votes for each Class B Ordinary Share on any resolution tabled at the Company's general meetings before the Articles are formally amended to incorporate the Unmet Articles Requirements except for the purpose of passing the Proposed Resolutions as referred to in the paragraph headed "Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company" in this prospectus.

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles;
- (ii) variation of the rights attached to any class of shares;
- (iii) the appointment, election or removal of any independent non-executive Director;
- (iv) the appointment or removal of the Company's auditors; and
- (v) the voluntary liquidation or winding-up of the Company.

In addition, Shareholders, including holders of Class A Ordinary Shares, holding not less than 10% of all shares in issue of the Company that carries the right of voting at general meetings (i.e. on a one vote per share basis) are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

As we are seeking a dual primary listing as an issuer with a WVR structure, we are subject to: (a) certain shareholder protection measures and governance safeguards under Chapter 8A of the Listing Rules, including Rule 8A.44 of the Listing Rules, which requires our WVR Structure to give force to the requirements of certain rules under Chapter 8A of the Listing Rules by incorporating them into our Articles; and (b) the articles requirements set out in Appendix 3 to the Listing Rules (the "**Listing Rules Articles Requirements**"). Our Articles do not currently comply with some of the Listing Rules Articles Requirements, and we undertake to put forth resolutions to amend our Articles to comply with these requirements at the Post-Listing GM, further details of which are set out in the paragraph headed "Waivers and Exemptions – Requirements relating to the Articles of Association of the Company" in this prospectus.

SHARE CAPITAL

Furthermore, we undertake to, at the Post-Listing GM, seek shareholders' approval to amend our Articles to incorporate the Termination of Special Rights, the Quorum Requirement, the GM Postponement Requirement, the Amendment of Directors' Class Right Related Powers and the Forum Selection Clarification into the Articles. Details of these proposed amendments are set out in the section headed "Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company" in this prospectus.

In addition, save for the exceptions specified below, we have undertaken to the Stock Exchange to fully comply with the Unmet Listing Rules Articles Requirements, the Termination of Special Rights, the GM Postponement Requirement, the Amendment of Directors' Class Right Related Powers and the Forum Selection Clarification upon the Listing and before our Articles are formally amended:

- Paragraph 15 of Appendix 3 such that, prior to the Articles being amended, the threshold for passing a resolution for variation of rights attaching to issued shares of a particular class in a separate class meeting will be approved by two-thirds of the votes cast by the issued shares of that class pursuant to Article 58 of the Articles (for the avoidance of doubt, the quorum requirement for such class meeting, being holders of at least one-third of the issued shares of the class, will be complied with, even though Article 58 of the Company's Articles provides for a quorum of holders of no less than a majority of the class);
- Rules 8A.24(1) and (2) such that, prior to the Articles being amended, weighted voting rights will apply in connection with passing the Proposed Resolutions as set out in the paragraph headed "Waivers and Exemptions – Requirements relating to the Articles of Association of the Company" in this prospectus;
- paragraph 16 of Appendix 3 such that, prior to the Articles being amended, the threshold for passing a special resolution for amendments to the Articles will be approved by members holding not less than two-thirds of the votes cast by such shareholders being entitled to do so, voting in person or where proxies are allowed, by proxy at the general meeting in accordance with Article 56 of the Articles; and
- paragraph 14(1) of Appendix 3 to the extent that the Company will not hold an annual general meeting on or before June 30, 2022.

For further details, please see the paragraph headed "Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company" and the section headed "Summary of the Constitution of the Company and Cayman Company Law" in Appendix III to this prospectus.

SHARE CAPITAL

The table below sets out the ownership and voting rights to be held by the WVR Beneficiaries upon the completion of the Global Offering:

Description of Shares	Number of Shares	Approximate % of issued share capital ⁽¹⁾ (%)	Approximate % of total effective voting rights ⁽¹⁾⁽²⁾⁽³⁾ (%)
Class A Ordinary Shares	63,000,000	10.89	3.79
Class B Ordinary Shares	79,400,000	13.72	71.55
Total	142,400,000	24.61	75.34

Notes:

- (1) Assuming the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan.
- (2) This excludes the voting rights attached to 25,691,894 Class A Ordinary Shares held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan. As of the Latest Practicable Date, as the relevant awards have not yet been exercised or vested, the Depositary is not entitled to exercise the voting rights attached to such Class A Ordinary Shares; only the holder of the ADSs representing such Class A Ordinary Shares, once issued/transferred pursuant to the exercise or vesting of the relevant awards, may exercise the relevant voting rights by giving the necessary instructions to the Depositary.
- (3) This is calculated on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share.

Class B Ordinary Shares may be converted into Class A Ordinary Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class B Ordinary Shares into Class A Ordinary Shares, the Company will issue 79,400,000 Class A Ordinary Shares, representing approximately 13.72% of the total number of issued and outstanding Class A Ordinary Shares (as enlarged by such Class A Ordinary Shares and assuming the Over-allotment Option is not exercised, and no further Shares are issued under the 2015 Equity Incentive Plan).

The weighted voting rights attached to our Class B Ordinary Shares will cease when the WVR Beneficiaries no longer have beneficial ownership of, or economic interest in, or control over the voting rights attached to any of our Class B Ordinary Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiaries are: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

SHARE CAPITAL

- (ii) when the holders of Class B Ordinary Shares have transferred to another person the beneficial ownership of, or economic interest in the Class B Ordinary Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;
- (iii) where a vehicle holding Class B Ordinary Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule; or
- (iv) when all of the Class B Ordinary Shares have been converted to Class A Ordinary Shares.

The weighted voting rights attached to the Class B Ordinary Shares beneficially owned or controlled by Mr. Chen and any affiliate of Mr. Chen (including any person that directly or indirectly, controls, is controlled by or is under common control with Mr. Chen) will also cease when Mr. Chen ceases to be an executive officer or employee of the Company (e.g. if Mr. Chen is re-designated as a non-executive Director or he ceases to assume any role with executive or management function in the Company or he ceases to have any employment relationship with the Company which remains effective).

Save for the weighted voting rights attached to Class B Ordinary Shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Ordinary Shares and Class B Ordinary Shares, please see the paragraph headed “Summary of the Constitution of the Company and Cayman Company Law – Summary of the Constitution of the Company – 2. Articles of Association” in Appendix III for further details.

WVR BENEFICIARY

Immediately upon completion of the Global Offering, the WVR Beneficiaries will be Mr. Wang and Mr. Chen. Assuming (i) the Over-allotment Option is not exercised and (ii) no further Shares are issued under the 2015 Equity Incentive Plan, and without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan, Mr. Wang and Mr. Chen will beneficially own and will control, through their intermediaries, an aggregate of 63,000,000 Class A Ordinary Shares and 79,400,000 Class B Ordinary Shares, representing (a) approximately 24.61% of our issued Shares; (b) approximately 75.34% of the effective voting rights in our Company with respect to shareholder resolutions relating to matters other than the Reserved Matters, on the basis that Class A Ordinary Shares entitle the Shareholder to one vote per share and Class B Ordinary Shares entitle the Shareholder to fifteen votes per share, (c) approximately 25.76% of the effective voting rights with respect to shareholder resolutions relating to Reserved Matters, on the basis that each Share entitle the Shareholder to one vote per share and (d) approximately 67.62% of the effective voting rights, assuming that Class A Ordinary Shares entitle the Shareholder to one vote per share and the exercise of voting rights attached to Class B Ordinary Shares will be capped at ten votes per share. The Class B

SHARE CAPITAL

Ordinary Shares are held by (i) Tuya Group Inc., which is wholly owned by Mr. Wang; (ii) Tenet Vision, which is wholly owned by Tenet Global which is in turn wholly owned by Tenet Smart, and Tenet Smart is wholly owned by TMF (Cayman) Ltd. as the trustee of Wang's Family Trust, of which the settlor is Mr. Wang and the beneficiaries are Mr. Wang and Tuya Group Inc., and (iii) Unileo, which is wholly owned by Mr. Chen.

The Company confirms that the holding arrangement through which the WVR Beneficiaries hold the Class B Ordinary Shares as described above meets the requirements in Rule 8A.18 and the holding arrangement is permitted under the "Consultation Conclusions – a listing regime for companies from emerging and innovative sectors" issued by the Stock Exchange in April 2018, namely: (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class B Ordinary Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of any and all of the Class B Ordinary Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly-owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above.

In particular, in relation to Wang's Family Trust, the purpose of the trust is for Mr. Wang's estate planning. The holding arrangement through which Mr. Wang holds the Class B Ordinary Shares was already established at the time of listing of our ADSs on the NYSE. Mr. Wang, as the sole ultimate beneficiary of Wang's Family Trust, retains the beneficial interest in all of the Class B Ordinary Shares held by Tenet Vision and Tuya Group Inc. (wholly owned by Mr. Wang). Therefore, such arrangement does not result in a circumvention of Rule 8A.18(1) of the Listing Rules.

To ensure that there will not be any circumvention of Rule 8A.18(1), each of the Company and Mr. Wang undertakes that so long there is any weighted voting rights attached to the Shares of Tenet Vision held under Wang's Family Trust and Tuya Group Inc. remains as the beneficiary of the Wang's Family Trust, Mr. Wang will not transfer any beneficial ownership of or economic interest in Tuya Group Inc. or the control over the voting rights attached to the Shares held by Tuya Group Inc. to another person. In the event that there is any change in the beneficial ownership of or economic interest in the Shares held by Tuya Group Inc. or the control over the voting rights attached to the Shares held by Tuya Group Inc., and/or change in beneficiary, protector/protective committee member, investment decision maker/ investment committee member and settlor of Wang's Family Trust to another person, resulting in change of beneficial ownership of, or economic interest in, the Shares of Tenet Vision held under Wang's Family Trust or the control over the voting rights attached to the Shares of Tenet Vision held under Wang's Family Trust, the Company and/or Mr. Wang will notify the Stock Exchange pursuant to Rule 8A.19 of Listing Rules and comply with the relevant statutory obligations including obligations of disclosure of interests under the SFO, and the weighted voting rights attached to the Class B Ordinary Shares held by each of Tenet Vision and Tuya Group Inc. shall cease upon such transfer accordingly.

SHARE CAPITAL

Each of the Company and Mr. Chen undertakes that, in the event that there is any change in the beneficial ownership of or economic interest in the Shares held by Unileo, or the control over the voting rights attached to the Shares held by Unileo, the Company and/or Mr. Chen will notify the Stock Exchange pursuant to Rule 8A.19 of Listing Rules and comply with the relevant statutory obligations including obligations of disclosure of interests under the SFO, and the weighted voting rights attached to the Class B Ordinary Shares held by Unileo shall cease upon such transfer accordingly.

The Company will also comply with Rule 8A.30 of the Listing Rules to confirm, on an annual basis, that the WVR beneficiaries have complied with Rule 8A.18 of the Listing Rules.

Each of the Company, Mr. Wang and Mr. Chen confirms that there is no encumbrance over any Class B Ordinary Shares as at the date of this prospectus and that no new encumbrance will be created over any Class B Ordinary Shares before the proposed amendments to the Articles as described in the paragraph headed “Waivers and Exemptions – Requirements relating to the Articles of Association of the Company” have become effective.

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

Prospective investors are advised to be aware of the potential risks of investing in companies with a WVR structure, in particular that the interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders’ resolutions. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure, please see the paragraph headed “Risk Factors – Risks Related to the WVR Structure” in this prospectus.

UNDERTAKINGS BY THE WVR BENEFICIARY

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On May 24, 2022, Mr. Wang and Mr. Chen made an undertaking to our Company (the “**Undertaking**”), that for so long as they are WVR Beneficiaries:

- (a) they shall comply with (and, if the shares to which the weighted voting rights that they are beneficially interested in are attached are held through a limited partnership, trust, private company, or other vehicle, use their best endeavors to

SHARE CAPITAL

procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the “Requirements”); and

- (b) they shall use their best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiaries acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. The WVR Beneficiaries acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiaries.

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange, and (ii) the date on which the WVR Beneficiaries cease to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiaries themselves that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Class A Ordinary Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

2015 EQUITY INCENTIVE PLAN

Our Company adopted the 2015 Equity Incentive Plan on December 23, 2014. The purpose of the 2015 Equity Incentive Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to select employees, Directors, and consultants and to promote the success of the Company’s business. The terms of the 2015 Equity Incentive Plan, as amended, will comply with Chapter 17 of the Listing Rules. For details of the principal terms of the 2015 Equity Incentive Plan, please refer to the paragraph headed “Appendix IV – Statutory and General Information – D. Equity Incentive Plan – 1. The 2015 Equity Incentive Plan” in this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act. For details, please see the paragraph headed “Summary of the Constitution of the Company and Cayman Company Law – Summary of the Constitution of the Company – 2 Articles of Association – 2.11 Changes in Share Capital” in Appendix III.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than fifty percent in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class Present (as defined in the Articles) and voting at such meeting. For details, please see the paragraph headed “Summary of the Constitution of the Company and Cayman Company Law – Summary of the Constitution of the Company – 2 Articles of Association – 2.7 Variation of Rights of Shares” in Appendix III.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares of our Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of substantial shareholder	Capacity/ Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in each class of share of our Company as at the Latest Practicable Date ⁽¹⁾ (%)	Approximate percentage of shareholding in each class of share of our Company after the Global Offering ⁽¹⁾ (%)
<i>Class A Ordinary Shares</i>				
New Enterprise Associates 14, L.P. ⁽²⁾	Beneficial owner	111,923,991	22.76	22.42
NEA Partners 14 L.P. ⁽²⁾	Interest in controlled corporation	111,923,991	22.76	22.42
NEA 14 GP, LTD ⁽²⁾	Interest in controlled corporation	111,923,991	22.76	22.42
Tencent Mobility Limited ⁽³⁾	Beneficial owner	55,924,749	11.37	11.20
Tencent ⁽³⁾	Interest in controlled corporation	58,299,749	11.85	11.68
Tenet Group ⁽⁴⁾	Beneficial owner	63,000,000	12.81	12.62
Tenet Global ⁽⁴⁾	Interest in controlled corporation	63,000,000	12.81	12.62
Tenet Smart ⁽⁴⁾	Interest in controlled corporation	63,000,000	12.81	12.62
TMF (Cayman) Ltd. ⁽⁴⁾	Trustee	63,000,000	12.81	12.62
Tuya Group Inc. ⁽⁴⁾	Beneficiary of a trust	63,000,000	12.81	12.62
Mr. Wang ⁽⁴⁾⁽⁵⁾	Beneficial owner, interest in controlled corporation, founder and beneficiary of a trust	68,100,000	13.85	13.64
Anywink Limited ⁽⁶⁾	Beneficial owner	25,200,000	5.12	5.05
Lin Yaona ⁽⁶⁾	Interest in controlled corporation	25,200,000	5.12	5.05

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/ Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in each class of share of our Company as at the Latest Practicable Date ⁽¹⁾ (%)	Approximate percentage of shareholding in each class of share of our Company after the Global Offering ⁽¹⁾ (%)
<i>Class B Ordinary Shares</i>				
Tenet Vision ⁽⁴⁾	Beneficial owner	40,600,000	51.13	51.13
Tenet Global ⁽⁴⁾	Interest in controlled corporation	40,600,000	51.13	51.13
Tenet Smart ⁽⁴⁾	Interest in controlled corporation	40,600,000	51.13	51.13
TMF (Cayman) Ltd. ⁽⁴⁾	Trustee	40,600,000	51.13	51.13
Tuya Group Inc. ⁽⁴⁾	Beneficial owner, beneficiary of a trust	50,600,000	63.73	63.73
Mr. Wang ⁽⁴⁾	Interest in controlled corporation, founder and beneficiary of a trust	50,600,000	63.73	63.73
Unileo ⁽⁷⁾	Beneficial owner	28,800,000	36.27	36.27
Mr. Chen ⁽⁷⁾	Interest in controlled corporation	28,800,000	36.27	36.27

Notes:

- (1) The table above assumes (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised and no Shares are issued under the 2015 Equity Incentive Plan and (iii) no Class B Ordinary Shares are converted into Class A Ordinary Shares.
- (2) The sole general partner of New Enterprise Associates 14, L.P. is NEA Partners 14 L.P. The sole general partner of NEA Partners 14 L.P. is NEA 14 GP, LTD. As such, NEA Partners 14 L.P. and NEA 14 GP, LTD. are interested in the 111,923,991 Class A Ordinary Shares held by New Enterprise Associates 14, L.P.
- (3) Tencent Mobility Limited and Image Frame Investment (HK) Limited are wholly owned by Tencent. As such, Tencent is deemed to be interested in the 55,924,749 Class A Ordinary Shares held by Tencent Mobility Limited and 2,375,000 Class A Ordinary Shares represented by ADSs owned by Image Frame Investment (HK) Limited.
- (4) Each of Tenet Group and Tenet Vision is wholly owned by Tenet Global, which is in turn wholly owned by Tenet Smart. Tenet Smart is wholly owned by TMF (Cayman) Ltd. as the trustee of Mr. Wang's Family Trust, of which the settlor is Mr. Wang and the beneficiaries are Mr. Wang and Tuya Group Inc. Tuya Group Inc. is wholly owned by Mr. Wang.

Therefore, Mr. Wang, Tuya Group Inc., Tenet Global, Tenet Smart and TMF (Cayman) Ltd are deemed to be interested in 63,000,000 Class A Ordinary Shares held by Tenet Group and 40,600,000 Class B Ordinary Shares held by Tenet Vision, respectively. Mr. Wang is deemed to be interested in 10,000,000 Class B Ordinary Shares held by Tuya Group Inc.

SUBSTANTIAL SHAREHOLDERS

- (5) Mr. Wang is entitled to receive up to 5,100,000 Class A Ordinary Shares, pursuant to the share options granted to him, subject to the conditions (including vesting conditions) of those options.
- (6) Anywink Limited is wholly owned by Lin Yaona. As such, Lin Yaona is deemed to be interested in the 25,200,000 Class A Ordinary Shares held by Anywink Limited.
- (7) Unileo is wholly owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in the 28,800,000 Class B Ordinary Shares held by Unileo.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (and assuming that the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, our Board will consist of nine Directors, comprising four executive Directors, one non-executive Director and four independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Date of joining the Group	Date of appointment as a Director	Roles and Responsibilities
Executive Directors					
WANG Xueji (王學集)	39	Executive Director, co-chairman of the Board, chief executive officer and founder	June 2014	August 2014	Responsible for the overall strategies, management, corporate culture, commercial suitability and sustainability of products of the Group
CHEN Liaohan (陳燎罕)	39	Executive Director, co-chairman of the Board, president and founder	June 2014	August 2014	Responsible for the overall strategies, management, business development and overall customer relationship of the Group
YANG Yi (楊懿)	40	Executive Director, chief operation officer and co-founder	May 2015	March 2021	Responsible for human resources, government relations development and daily operations of the Group
LIU Yao (劉堯)	47	Executive Director, senior vice president and chief financial officer	May 2019	March 2021	Responsible for the capital market, investment, finance, legal and internal controls, strategy analysis and planning of the Group
Non-executive Director					
HONG Jing (洪婧)	48	Non-executive Director	March 2021	March 2021 ^(Note 1)	Responsible for providing professional opinion and judgement to the Board

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining the Group	Date of appointment as a Director	Roles and Responsibilities
Independent Non-executive Directors					
HUANG Sidney Xuande (黃宣德)	56	Independent Non-executive Director	Listing Date	Listing Date ^(Note 3)	Responsible for providing independent professional opinion and judgement to the Board
QIU Changheng (邱昌恒)	47	Independent Non-executive Director	Listing Date	Listing Date ^(Note 3)	Responsible for providing independent professional opinion and judgement to the Board
KUOK Meng Xiong (郭孟雄) (alias GUO Mengxiong)	41	Independent Non-executive Director	Listing Date	Listing Date ^(Note 3)	Responsible for providing independent professional opinion and judgement to the Board
YIP Pak Tung Jason (葉栢東)	39	Independent Non-executive Director	Listing Date	Listing Date ^(Note 3)	Responsible for providing independent professional opinion and judgement to the Board

Notes:

- (1) Ms. HONG Jing has been designated as our independent Director under applicable U.S. regulations, but does not meet all of the independence criteria set out in Rule 3.13 of the Listing Rules and, accordingly, is designated as our non-executive Director under the Listing Rules.
- (2) Each of our Directors had no relationship with other Directors and senior management members of our Company as at the Latest Practicable Date.
- (3) As of the Latest Practicable Date, Mr. Jeffrey Robert IMMELT, Ms. Carmen I-Hua CHANG, Mr. Scott David SANDELL and Ms. GAO Qing (高青) were our Directors. Each of Mr. Jeffrey Robert IMMELT, Ms. Carmen I-Hua CHANG and Mr. Scott David SANDELL has resigned from directorship before date of this prospectus. Ms. GAO Qing will resign from directorship, conditional and effective upon Listing and the appointment of Mr. HUANG Sidney Xuande, Mr. QIU Changheng, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. YIP Pak Tung Jason as independent non-executive Directors will become effective at the same time. The appointment of Mr. HUANG Sidney Xuande, Mr. QIU Changheng and Mr. KUOK Meng Xiong (alias GUO Mengxiong) has been approved in the meeting of the Board on January 22, 2022, and the appointment of Mr. YIP Pak Tung Jason has been approved in the meeting of the Board on June 15, 2022. The replacement of these four independent non-executive Directors would allow us to meet the requirements under Rules 3.10(1) and 3.10A of the Listing Rules and our Board will include at least three independent non-executive Directors, who shall represent at least one-third of our Board. We have also determined that each of Mr. HUANG Sidney Xuande, Mr. QIU Changheng, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. YIP Pak Tung Jason meets the independence standards under applicable U.S. regulations.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WANG Xueji (王學集) aged 39, is a founder, an executive Director, the chief executive officer and the co-chairman of the Board. Mr. Wang is responsible for the overall strategies, management, corporate culture, and commercial suitability and sustainability of products of the Group.

Mr. Wang has over seven years of experience in IoT industry and about 18 years of experience focusing on software technology, including over 11 years of experience in elastic cloud computing technologies. Prior to founding the Company, Mr. Wang founded PHPWind, one of the most popular open source forums software in China, in 2003. In 2006, Mr. Wang established Hangzhou Detian Information Technology Co., Ltd. (杭州德天信息技術有限公司) to officially commercialize PHPWind business from 2006 to May 2008. In May 2008, PHPWind was acquired by Hangzhou Ali Technology Co., Ltd. (杭州阿里科技有限公司), a subsidiary or consolidated affiliated entity of Alibaba Group Holding Limited (a company listed on the NYSE, symbol: BABA, and secondary listed on the Stock Exchange, stock code: 9988) (together with its subsidiaries and its consolidated affiliated entities, “**Alibaba Group**”). From May 2008 to February 2014, Mr. Wang worked at Alibaba Group, where he served as a senior director and he was responsible for leading and launching a number of major technology and product innovations for Alibaba Cloud and Alipay, including Alibaba’s Quick Reference Code (“**QR Code**”) payment system.

Mr. Wang received a bachelor’s degree in information and technology science from Zhejiang Sci-Tech University (浙江理工大學) in the PRC in June 2005. Mr. Wang was recognized by Forbes as a member of China’s Thirty Entrepreneurs under 30 in February 2012, and was named by Fortune China as one of China’s Forty Business Elites under 40 in April 2021.

Mr. CHEN Liaohan (陳燎罕), aged 39, is a founder, an executive Director and the co-chairman of the Board, and has been serving as the president of our Group since June 2014. Mr. Chen is responsible for the overall strategies, management, business development and overall customer relationship of the Group. Mr. Chen is also a director of certain major subsidiaries of our Group.

Prior to co-founding the Company, Mr. Chen is the co-founder of PHPWind. Mr. Chen served as the management at Hangzhou Detian Information Technology Co., Ltd. (杭州德天信息技術有限公司) from 2006 to May 2008. Mr. Chen served as an operations director at Alibaba Group, where he worked on Alibaba Cloud and Alibaba’s O2O business, leading the application of technology and business operation, from May 2008 to May 2014.

Mr. Chen received a bachelor’s degree in information and computing science from Zhejiang Sci-Tech University (浙江理工大學) in the PRC in June 2005, and received a master’s degree in computer applied technology from Zhejiang Sci-Tech University (浙江理工大學) in the PRC in July 2010.

DIRECTORS AND SENIOR MANAGEMENT

Mr. YANG Yi (楊懿), aged 40, is a co-founder and an executive Director, and has been serving as our chief operation officer since May 2015. Mr. Yang is responsible for human resources, government relations and daily operations of the Group. Mr. Yang is also a director of Tuya Global.

Prior to co-founding the Company, Mr. Yang worked as a business development senior expert at Alibaba Group from April 2011 to May 2015, where he was responsible for developing business opportunities for multiple projects including mobile payment at Alibaba's O2O business and Alibaba Cloud.

Mr. Yang received a bachelor's degree in international business and economics from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in October 2004.

Ms. LIU Yao (劉堯), aged 47, is an executive Director, and has been serving as our Senior Vice President and chief financial officer since May 2019. Ms. Liu is responsible for capital market, investment, finance, legal and internal controls, strategy analysis and planning of the Group.

Prior to joining the Company, Ms. Liu worked at Deutsche Bank Group from July 2007 to December 2009, where her last position was associate in global banking division. Ms. Liu worked at UBS AG from December 2009 to May 2014, where her last position was executive director in investment bank division. Prior to May 2016, Ms. Liu worked at Red Capital Group Limited. From May 2016 to July 2018, Ms. Liu was the founding partner of RJ Capital Group. Ms. Liu had been an independent non-executive director at Zhengzhou Coal Mining Machinery Group Co., Ltd. (鄭州煤礦機械集團股份有限公司) (a company listed on the Stock Exchange, stock code: 564; a company listed on Shanghai Stock Exchange, stock code: 601717) from June 2014 to June 2020.

Ms. Liu received a bachelor's degree in materials chemistry from Xiamen University (廈門大學) in the PRC in July 1996, and a master's degree in business administration from the University of Pennsylvania in the United States in May 2007.

Non-executive Director

Ms. HONG Jing (洪婧), aged 48, is a non-executive Director, and has been designated as our independent Director under applicable U.S. regulations. Ms. Hong is responsible for providing professional opinion and judgment to the Board. Ms. Hong was appointed as our Director since March 2021.

Ms. Hong has been engaged in growth stage private equity investment for over 15 years. Prior to joining the Company, Ms. Hong worked at McKinsey & Company from August 1998 to June 2005 and at which her last position was engagement manager, as a senior associate at Warburg Pincus LLC from September 2005 to December 2005. Ms. Hong served various positions in General Atlantic LLC from January 2008 to December 2012, including the principal, head of global emerging markets consumer sector, and managing director as her last

DIRECTORS AND SENIOR MANAGEMENT

position. Subsequently, Ms. Hong served as a partner of investment research department of Zhuhai Gaoling Equity Investment Management Ltd. (珠海高瓴股權投資管理有限公司) from January 2013 to February 2018, after which Ms. Hong founded Ningbo Gaocheng Houde Equity Investment Co., Ltd. (寧波高成厚德股權投資管理有限公司) as the founding partner. Ms. Hong is also the director of Gaocheng Holdings GP Ltd., the general partner of the investment fund which wholly owns GTY Holdings Limited.

Ms. Hong received a bachelor's degree in international finance and a master's degree in management engineering from Tsinghua University (清華大學) in the PRC in July 1996 and June 1998, respectively. Ms. Hong also received a master's degree in business administration from Harvard University in the United States in June 2005.

Independent Non-executive Directors

Mr. HUANG Sidney Xuande (黃宣德), aged 56, is appointed as an independent non-executive Director and his appointment will be conditional and effective upon Listing. Mr. Huang will be responsible for providing independent professional opinion and judgement to the Board.

Mr. Huang has over 15 years of experience in the technology and internet industry. He is currently a senior advisor of JD.com, Inc. (a company listed on the Nasdaq, symbol: JD, and secondary listed on the Stock Exchange, stock code: 9618) and was its chief financial officer from September 2013 until his retirement in September 2020, including the last three months as an executive coach to his successor. He has been an independent non-executive director of Kuaishou Technology (a company listed on the Stock Exchange, stock code: 1024) since February 2021 and an independent director of Yatsen Holding Limited (a company listed on the NYSE, symbol: YSG) since November 2020. Mr. Huang was a director of Bitauto Holdings Limited (a company which was listed on the NYSE and privatized in November 2020) from November 2010 to August 2020.

Prior to joining JD.com, Inc. in September 2013, Mr. Huang had served multiple top management roles for VanceInfo Technologies Inc., including its co-president, chief operating officer and chief financial officer as well as the chief financial officer of its successor company, Pactera Technology International Ltd., after the merger. He was an investment banker at Citigroup Global Markets Inc. in New York from August 2002 to July 2004. He held various positions including audit manager at KPMG LLP from January 1997 to August 2000 and qualified as a Certified Public Accountant in the State of New York in October 1999.

Mr. Huang has been an Academic Visitor at St Anthony's College of the University of Oxford since October 2021. He received an MBA degree from the J.L. Kellogg School of Management at Northwestern University in the United States in June 2002 and a bachelor's degree in accounting from Bernard M. Baruch College of The City University of New York in the United States in February 1997. Mr. Huang is appropriately qualified as required under Rule 3.10(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Mr. QIU Changheng (邱昌恒), aged 47, is appointed as an independent non-executive Director and his appointment will be conditional and effective upon Listing. Mr. Qiu will be responsible for providing independent professional opinion and judgement to the Board.

Mr. Qiu is a founder of Kunteng (Hainan) Equity Investment Fund Management Co., Ltd. (鯤騰(海南)股權投資基金管理有限公司) since July 2017. Prior to that, he served at Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) from December 2004 to May 2016, where his last position was vice president.

Mr. Qiu received a bachelor's degree in physics from Zhejiang University (浙江大學) in the PRC in June 1997 and a MBA degree from Peking University (北京大學) in the PRC in June 2004.

Mr. KUOK Meng Xiong (郭孟雄) (alias GUO Mengxiong), aged 41, is appointed as an independent non-executive Director and his appointment will be conditional and effective upon Listing. Mr. Kuok will be responsible for providing independent professional opinion and judgement to the Board.

Mr. Kuok has been the Chief Executive Officer of K3 Venture Partners Pte. Ltd. since January 2020. He worked as Vice President (Projects) at Shangri-La International Hotel Management Ltd from October 2012 to February 2017. Mr. Kuok has been an independent non-executive director of TVS Motor Company Limited (a company listed on the National Stock Exchange of India Ltd., symbol: TVSMOTOR) since March 2021.

Mr. Kuok received his bachelor's degree in science from Cornell University in the United States in January 2007.

Mr. YIP Pak Tung Jason (葉栢東), aged 39, is appointed as an independent non-executive Director and his appointment will be conditional and effective upon Listing. Mr. Yip will be responsible for providing independent professional opinion and judgement to the Board.

Mr. Yip worked in the audit division of PricewaterhouseCoopers in Canada from May 2003 to May 2007. He was a manager at PricewaterhouseCoopers in Hong Kong from June 2007 to June 2010. Mr. Yip worked in Alibaba Group Holding Limited (a company listed on the NYSE, symbol: BABA, and secondary listed on the Stock Exchange, stock code: 9988) from June 2010 to May 2022, where he served as a senior director of finance, primarily responsible for the group's financial reporting and technical accounting and share-based compensation administration and management.

Mr. Yip received a bachelor's degree of commerce from the University of British Columbia in Canada in May 2005. Mr. Yip qualified as a Chartered Accountant in Canada in January 2007 and has been a member of the Hong Kong Institute of Certified Public Accountants since September 2016.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company.

Name	Age	Position	Date of Joining the Group	Roles and Responsibilities
Wang Xueji (王學集)	39	Executive Director, co-chairman of the Board, chief executive officer and founder	June 2014	Responsible for the overall strategies, management, corporate culture, commercial suitability and sustainability of products of the Group
Chen Liaohan (陳燎罕)	39	Executive Director, co-chairman of the Board, president and founder	June 2014	Responsible for the overall strategies, management, business development and overall customer relationship of the Group
Yang Yi (楊懿)	40	Executive Director, chief operation officer and co-founder	May 2015	Responsible for human resources, government relations and daily operations of the Group
Liu Yao (劉堯)	47	Executive Director, senior vice president and chief financial officer	May 2019	Responsible for capital market, investment, finance, legal and internal controls, strategy analysis and planning of the Group
Zhou Ruixin (周瑞鑫)	39	Chief technology officer and co-founder	June 2014	Responsible for the overall technology research and development of the products of the Company

Note: Each of our senior management members had no relationship with other Directors and senior management members of our Company as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Xueji (王學集) aged 39, is a Founder, an executive Director, the chief executive officer and the co-chairman of the Board. For further details, please see the paragraphs headed “– Executive Directors” in this section.

Mr. Chen Liaohan (陳燎罕), aged 39, is a Founder, an executive Director and the co-chairman of the Board, and has been serving as the president of the Company since June 2014. For further details, please see the paragraphs headed “– Executive Directors” in this section.

Mr. Yang Yi (楊懿), aged 40, is a co-founder and an executive Director, and has been serving as our chief operation officer since May 2015. For further details, please see the paragraphs headed “– Executive Directors” in this section.

Ms. Liu Yao (劉堯), aged 47, is an executive Director, and has been serving as our senior vice president and chief financial officer since May 2019. For further details, please see the paragraphs headed “– Executive Directors” in this section.

Mr. Zhou Ruixin (周瑞鑫), aged 39, is a co-founder and has been serving as our chief technology officer of our Group since June 2014. Mr. Zhou is responsible for the overall technology research and development of the products of the Company.

Mr. Zhou has been leading our technology teams and is playing a vital role in building the Tuya IoT cloud platform. Mr. Zhou has over 10 years’ experience in cloud infrastructure development. Prior to co-founding the Company, Mr. Zhou served as research and development, operation and maintenance engineer at Hangzhou Detian Information Technology Co., Ltd. (杭州德天信息技術有限公司) which operated PHPWind from 2006 to May 2008, and was acquired by Alibaba Group in May 2008. Mr. Zhou served at Alibaba Group, where he was responsible for technical operations works in PHPWind and Alibaba Cloud from May 2008 to April 2014.

Mr. Zhou received a bachelor’s degree in information and computing science from Zhejiang Sci-Tech University (浙江理工大學) in the PRC in June 2005.

Except as disclosed above, each of our Directors and members of senior management has not been a director of any public company whose securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

As of the Latest Practicable Date, save for the interests in the Shares of our Company held by our Directors which are disclosed in the section headed “Appendix IV – Statutory and General Information – C. Further Information about Our Directors, Senior Management and Substantial Shareholders – 3. Disclosure of Interests” in this prospectus, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

Except as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. CHAI Xiaolang (柴曉浪), aged 29, has been appointed as our joint company secretary with effect from January 2022. Mr. Chai joined our Group in June 2019 and has served as the associate director of capital markets of the Group. Prior to joining our Group, Mr. Chai worked at Hangzhou Hikvision Digital Technology Co., Ltd. (“**Hikvision**”) from July 2018 to June 2019, during which he served as a senior finance specialist at Hikvision headquarter and as financial director at Hikvision North America. From January 2015 to June 2018, Mr. Chai worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP as an auditor of audit and assurance division.

Mr. Chai received a bachelor’s degree in finance from Shanghai University (上海大學) in the PRC in July 2014.

Ms. TANG King Yin (鄧景賢) has been appointed as our joint company secretary with effect from January 2022. Ms. Tang is a manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She has over 10 years of experience in the corporate secretarial field. She is a Chartered Secretary, Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute (HKCGI) (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

Ms. Tang received a bachelor’s degree in Business Administration from Hong Kong Shue Yan University in July 2011 and a master’s degree in Corporate Governance and Compliance from Hong Kong Baptist University in November 2021.

CORPORATE GOVERNANCE

Audit Committee

Our audit committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules (with effect from Listing). The primary duties of the audit committee are, among other things, to monitor the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters, review the adequacy of our internal control over financial reporting, and review all related party transactions and make recommendations to the Board on the appointment, reappointment and removal of the external auditor.

DIRECTORS AND SENIOR MANAGEMENT

Upon Listing, the audit committee comprises three independent non-executive Directors, namely Mr. HUANG Sidney Xuande, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. QIU Changheng. We have determined that each of Mr. HUANG Sidney Xuande, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. QIU Changheng satisfies the requirements of Section 303A of the Corporate Governance Rules of the NYSE and meets the independence standards under Rule 10A-3 under the U.S. Exchange Act. Mr. HUANG Sidney Xuande, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules and qualifies as an “audit committee financial expert” under the applicable rules of the SEC.

Compensation Committee

Our compensation committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules (with effect from Listing). The primary duties of the compensation committee are to review and make recommendations to the Board with respect to policy and structure for all directors’ and senior management remuneration, review and approve remuneration proposals with reference to the Board’s corporate goals and objective, review and approve compensation payable to directors and senior management for any loss or termination of office or appointment, consider time commitment and responsibilities and employment conditions.

Upon Listing, the compensation committee comprises Mr. QIU Changheng, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. Wang. Mr. QIU Changheng is the chairman of the committee.

Nomination Committee

Our nomination committee is in compliance with Chapter 8A of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules (with effect from Listing). The primary duties of the nomination committee are to develop and recommend to the Board criteria for board and committee membership, recommend to the Board the persons to be nominated for election as Directors and to each of the Board’s committees.

Upon Listing, the nomination committee comprises Mr. QIU Changheng, Mr. KUOK Meng Xiong (alias GUO Mengxiong) and Mr. Chen. Mr. QIU Changheng is the chairman of the committee.

Corporate Governance Committee

Our corporate governance committee is in compliance with Chapter 8A of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules (with effect from Listing). The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structures of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Upon Listing, the corporate governance committee comprises Mr. QIU Changheng and Mr. KUOK Meng Xiong (alias GUO Mengxiong). Mr. QIU Changheng is the chairman of the committee.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;
- (g) to confirm, on an annual basis, that the WVR Beneficiaries have been members of the Company's Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the WVR Beneficiaries have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the board of Directors on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any WVR Beneficiary on the other;
- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and any WVR Beneficiary on the other and make a recommendation to the board of Directors on any such transaction;
- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Advisor;

DIRECTORS AND SENIOR MANAGEMENT

- (l) to seek to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the corporate governance report prepared by our Company for inclusion in our interim and annual reports after Listing will include a summary of the work of the corporate governance committee for the relevant period.

Role of our Independent non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions C.1.2, C.1.6 and C.1.7 in Part 2 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

- (a) to participate in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) to take the lead where potential conflicts of interests arise;
- (c) to serve on the audit, compensation, nomination committee and corporate governance committees and other governance committees, if invited;
- (d) to scrutinize our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) to give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) to make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) to attend general meetings and developing a balanced understanding of the views of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, save as disclosed below, we expect to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the Listing.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Wang currently performs these two roles. The Board believes that, in view of Mr. Wang's experience, personal profile and his roles in our Company as mentioned above, Mr. Wang is the Director best suited to identify strategic opportunities and focus on the Board due to his extensive understanding of our business as our chief executive officer. Our Board also believes that the combined roles of both chairperson and chief executive officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and our Board. Our Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

Board Diversity

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

Our Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of information technology, engineering and finance. They obtained degrees in various areas including information and technology science, computer applied technology, international business and economics, chemistry, engineering, business administration, history, law, finance, accounting and physics. We have also taken, and will continue to take steps to promote gender diversity at the Board level of our Company. Upon Listing, our Board comprises seven male members (including three executive Directors and four independent non-executive Directors) and two female members (including an executive Director and a non-executive Director). After Listing, the nomination committee will revisit the board diversity policy and monitor its implementation from time to time. Our nomination committee will also use their best efforts to identify and recommend suitable female candidates for the Board's consideration in the future to ensure that gender diversity can be maintained.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, our contribution to the retirement benefit scheme on their behalf performance and discretionary related bonuses.

The aggregate amount of remuneration (including salaries, housing fund, allowances and benefits in kind, contributions to the retirement benefit scheme, discretionary bonuses, as applicable) for our Directors for the years ended December 31, 2019, 2020 and 2021 was US\$1.5 million, US\$2.3 million and US\$31.2 million, respectively.

Under the arrangements currently in force, our Directors will be entitled to receive remuneration (including salaries, housing fund, allowances and benefits in kind, and contributions to the retirement benefit scheme, as applicable) which, for the year ending December 31, 2022, is expected to be approximately US\$39.5 million in aggregate (excluding discretionary bonus).

The aggregate amount of remuneration (including salaries, housing fund, allowances and benefits in kind, contributions to the retirement benefit scheme, discretionary bonuses, as applicable) for the five highest paid individuals who are not Directors for the years ended December 31, 2019, 2020 and 2021 was US\$1.6 million, US\$2.3 million and US\$7.1 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2019, 2020 and 2021 by our Company to our Directors. No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

For details of the principal terms of the incentive plan for our Directors and the senior management, please refer to the paragraph headed “Appendix IV – Statutory and General Information – D. Equity Incentive Plan – 1. The 2015 Equity Incentive Plan” in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the “**Compliance Advisor**”) pursuant to Rule 3A.19 and Rule 8A.33 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document;
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Advisor shall commence on the Listing Date. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance advisor on a permanent basis.

COMPETITION

Each of the Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader technology industries. However, as these non-executive Directors are neither our controlling Shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Our Growth Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$94.5 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering and based upon an indicative offer price of HK\$22.80 per Offer Share for both the Hong Kong Public Offering and the International Offering, and assuming no exercise of the Over-allotment Option.

We plan to use the net proceeds we will receive from the Global Offering for the following purposes:

- (1) ***Enhancing IoT Technologies and Infrastructure.*** Approximately 30% or approximately HK\$28.3 million is expected to be used over the course of the next five years to enhance our leading IoT technologies and infrastructure.
 - (i). We intend to invest substantially to upgrade our core technologies, including TTP, BTP, and AEP, expanding the range of features they offer, and enabling more innovative use cases. More specifically:
 - ***TTP.*** We plan to continue to improve the reliability, security and functionality of TTP, and integrate it more closely with leading technologies, such as cloud computing, digital twins and AI-based algorithms, to allow our products to be used for more innovative use cases. For example, we will focus on using TTP to develop more “digital twins,” which are a visualized digital representation of various physical objects, processes, and systems through IoT technologies. Specifically, we are in the process of developing what we call “Building Twin” designed to accurately reflect a physical building and the services and facilities within it through data collected by IoT sensors. “Building Twin” will provide developers with the critical technology infrastructure that they need to develop IoT-enabled solutions, such as smart device monitoring systems or intelligent space management solutions, for a variety of verticals. We intend to first develop the “Building Twin” for selected verticals that we believe will maximize its value, such as smart home, smart building, and smart manufacturing, and may then roll it out to additional industries. We also intend to use insights generated from our digital twins to inform our AI-powered algorithms to help our customers design better products and improve operational efficiencies.

FUTURE PLANS AND USE OF PROCEEDS

- **BTP.** We will invest in upgrading BTP to further strengthen the technology foundation of our IoT cloud development platform. This will lay the necessary technology groundwork for us to provide customers with more diversified IoT capabilities in ways that better suit their specific needs and preferences. For example, while our IoT PaaS has historically been delivered primarily through public infrastructure, we have recently leverage BTP to make it possible for selected customers to access IoT PaaS through their own private cloud infrastructure (i.e. the “private cloud” model) or a combination of public and private cloud infrastructure (the “hybrid cloud” model). We intend to roll out the private and hybrid cloud models to benefit more customers. As we enhance our BTP, we intend to regularly upgrade and continue to launch new versions of private and hybrid cloud solutions for our customers, making it possible for them to access more IoT services and capabilities through these two models.
 - **AEP.** We also plan to enhance our AEP to expand our selection of IoT development tools, such as APIs and SDKs. With these efforts, we intend to create a more developer-friendly, low-code and no-code environment so that developers can more quickly and cost-efficiently create, customize, or integrate systems and functionality for their specific needs and use cases. As part of these endeavors, we intend to leverage our extensive expertise with IoT PaaS to build a unified development framework and the ancillary development tools for IoT SaaS developers, so that they can easily create bespoke solutions customized for specific verticals. We also plan to deliver more IoT development tools in what we call the “mini-programs” (i.e. lightweight applications running within another mobile app) format, so that developers and end-users can access them from the palm of their hands easily. Furthermore, we intend to continuously expand and refine our selection of “modularized” IoT capabilities. By being modularized, these IoT capabilities serve as basic building blocks that can be easily integrated and adapted to create more sophisticated, customized solutions and mobile applications. We will also focus on upgrading AEP and IoT development tools and capabilities that it enables and making them more easily configurable for specific needs across different verticals and use cases.
- (ii). We plan to continue to invest in technology infrastructure and other capital expenditure. We plan to enhance our IT systems by strengthening computing power and storage capabilities. We expect to procure more advanced elastic cloud computing and storage services and efficient hardware equipment to support our R&D efforts, which will further improve the efficiency of research and development process. In addition, we plan to invest in our internal systems to improve our internal information management and enhance data privacy protocols and information security management.

FUTURE PLANS AND USE OF PROCEEDS

- (iii). We plan to further enhance our core capabilities such as IoT algorithms and data analytics. We also intend to invest in developing additional cutting-edge technologies for more innovative use cases, such as smart devices with 5G and outdoor cellular capabilities, IoT systems installed on two-wheelers, as well as IoT-enabled industrial automation.
- (2) **Enhancing our product offerings.** Approximately 30% or approximately HK\$28.3 million is expected to be used over the course of the next five years for expand and enhance our product offerings. More specifically:
 - (i). **IoT PaaS.** We will continue to enhance our IoT PaaS to reinforce our leadership in the IoT PaaS industry. We offer an extensive array of “modularized” IoT capabilities that can be easily customized and integrated to meet specific customer requirements. We intend to use these modularized capabilities to make our IoT PaaS more stable, easy-to-use and adaptable for customer needs and preferences. Furthermore, we also intend to invest further in making IoT PaaS compatible with additional connectivity protocols, more easily configurable for specific verticals and use cases. For example, since 2020, we have been successfully expanded our IoT PaaS to cover digital entertainment, consumer energy, outdoor and transportation categories. In 2022 and beyond, we will invest in making IoT PaaS more ease-to-use and easily adaptable for these categories and expand into additional categories and verticals. Additionally, as our customers globally access our IoT PaaS remotely via the Internet, we will continue to invest in improving the capacity, reliability and speed of IoT PaaS, including by establishing local data centers in key overseas locations, as well as offering more localized support and functionalities. We will also invest in enabling customers to more efficiently access IoT PaaS and deploy it on devices from broader categories and use cases, using the above-mentioned “private cloud” or “hybrid cloud,” or a combination of both, depending on the their specific business needs and preferences.
 - (ii). **Industry SaaS.** We intend to continue to upgrade Industry SaaS to make it more flexible, easy-to-deploy and compatible with devices of different categories. We will also focus on increasing adoption of our Industry SaaS across industrial, agriculture and various other different verticals. For example, as part of our initiatives to venture into the smart industry space, we are developing an Industry SaaS solution specifically for small- to medium-sized manufacturing companies, by leveraging our extensive existing expertise in smart home and business. These new Industry SaaS solutions are designed to digitalize and streamline some of the most critical aspects of manufacturing companies’ daily operations – quality control, product traceability, and supply chain and inventory management – through IoT technologies and connected devices. As another example, as we help brands design mobile apps that control

FUTURE PLANS AND USE OF PROCEEDS

their smart devices, we realized they have a strong yet unmet need for tools to engage with the end-users. To this end, we are in the process of developing a dedicate SaaS solution to enable brands to attract, engage and monetize their online traffic.

- (iii). ***Value-added services.*** We intend to continue to expand our offerings of value-add services to deliver a more engaging and convenient user experience. We have partnered with select independent software vendors and system integrators who help us tailor our value-added services for specific customers and use cases. We intend to further strengthen such partnerships to improve our ability to better serve more customers with diverse and specific needs.

Implementing the initiatives as set forth in (1) and (2) will require us to continue to retain, attract and recruit scientists, researchers and other R&D and product development employees. It will also require us to develop or acquire new technologies and increase our general R&D expenditures. As a result, we expect our research and development expenses to continue to increase in absolute amount. However, we expect that these initiatives will have a long-term positive impact on our revenues and growth prospects as they allow us deliver more compelling products and services, attract more customers, and expand our customers' use of our IoT cloud development platform over time. In addition, the expansion of our offerings and increased sharing of the technology infrastructure are expected to lead to greater economies of scale, which in turn will have a positive effect on our long-term profitability.

- (3) ***Improving sales and marketing.*** Approximately 15% or approximately HK\$14.2 million is expected to be used over the course of the next five years for marketing and branding activities. More specifically:
 - (i). We intend to continue to invest in expanding, retaining and training our sales team to attract new and retain existing customers and expand their use of our products and services over time. We will also provide our sales team with the resources they need to engage closely with our customers, especially key account customers encourage customers to try new products and services and expand their adoption of our IoT cloud development platform. We expect to use approximately HK\$1.9 million to implement these initiatives.
 - (ii). We plan to organize or participate in a variety of offline events, such as industry conferences, developer events, roadshows and exhibitions (e.g. Consumer Electronics Show (CES) and Mobile World Congress (MWC)), as well as online marketing campaigns to promote our brand and showcase our products and services to target customers and the global IoT developer community. We are looking to organize or participate in over 100 exhibitions

FUTURE PLANS AND USE OF PROCEEDS

and trade fairs, over 90 industry conferences and over 30 events for IoT developers, over the next five years. We expect to use approximately HK\$4.7 million to implement these activities.

- (iii). We intend to invest to strengthen and expand our global network of channel partners to further grow our customer base, enhance our presence internationally and expand our sales touchpoints with prospective customers, partners, and end-users. We expect to use approximately HK\$3.8 million to implement these activities.
- (iv). We will also enhance our brand awareness among end-users by promoting the “Powered by Tuya” concept through targeted branding and marketing activities. We expect to use approximately HK\$3.8 million to implement these activities.

By implementing the initiatives set forth in (3) above, we expect to incur additional sales and marketing expenses due to increased sales team and expanded sales and marketing activities. However, we expect these initiatives to enable us to expand our customer base with greater cross-selling and up-selling opportunities which, in turn, benefits our revenue and profitability in the long run.

- (4) ***Pursuing strategic partnerships, investments and acquisitions.*** Approximately 15% or approximately HK\$14.2 million will be used over the course of the next five years to pursue strategic partnerships, investments and acquisitions to implement our long-term growth strategies. We primarily target the following types of business:
 - (i). *Businesses with leading technology in industry value chain that complement our existing offerings and strengthen our value propositions to customers.* These businesses primarily include market-leading and promising smart device brands, smart device manufacturers and IoT app developers that operate in the upstream or downstream sectors of the industry value chain other than IoT PaaS business, such as the manufacturers of chips, IoT solutions and IoT controlling devices. Through our platform, we intend to leverage their expertise to deliver better user experience, offer more innovative products, and work closely with them to increase overall penetration of IoT which we believe will have a lasting positive impact on the IoT and adjacent industries in the long run.
 - (ii). *System integrators and industry operators that can help us broaden our reach to customers.* These businesses mainly include those who interact directly with end users across a wide range of use cases, such as hotel managers, residential or commercial property managers, and educational institutions. Through

FUTURE PLANS AND USE OF PROCEEDS

strategic partnerships, investments and acquisitions, we intend to collaborate with these businesses to deliver better IoT experience to end-users and leverage their existing large customer bases to tap into new use cases and markets.

According to CIC, there are more than 600 potential acquisition and investment targets in IoT sector in China in 2020 that meet the criteria outlined above. Save for the strategic minority investment as disclosed in the section entitled “Waivers and Exemptions – Waiver in Relation to Company Acquired After the Track Record Period – Background of the Acquisition” of this prospectus, we have not identified any specific target or entered into any agreements, commitments or understandings for any future partnerships, investments and acquisitions as of the Latest Practicable Date.

We will continue to track potential acquisition or investment opportunities in areas that could have a synergistic effect with our existing business in terms of customer acquisition, technology innovation and product development. After identifying a suitable target, we will thoroughly assess synergies with our existing business in a prudent approach to make sure such acquisition or investments are beneficial to the long-term vitality of our business and operations.

- (5) ***Working capital and others.*** Approximately 10% or approximately HK\$9.4 million will be used over the course of the next five years for general corporate purposes and working capital needs.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we will only place the net proceeds as short-term deposits only at licensed banks or financial institutions located in the PRC. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Morgan Stanley Asia Limited
Merrill Lynch (Asia Pacific) Limited
CMB International Capital Limited
Tiger Brokers (HK) Global Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. We expect the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 730,000 Hong Kong Offer Shares and the International Offering of initially 6,570,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Public Offer Price.

Subject to (a) the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Class A Ordinary Shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Hong Kong Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occurs at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any event or series of events or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks of diseases or its escalation, mutation or aggravation (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), monkeypox and such related/mutated forms), economic sanctions, strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting directly or indirectly Hong Kong, the PRC, the United States, the United Kingdom, Germany, the European Union (taken as a whole), India, Australia, Singapore, Japan, the Cayman Islands or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, in or affecting the general affairs, management, financial, position, shareholder’s equity or results of operations of our Company and members of our Group, otherwise than as set forth or contemplated in this prospectus;
 - (iii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances resulting or likely to result in or representing any change or development or a prospective change or development or amendment, in or affecting any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or taxation or currency rates or foreign exchange regulations or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a

UNDERWRITING

change in the system under which the value of the Hong Kong dollars is linked to the United States dollars or the Renminbi is linked to any foreign currency or currencies or devaluation of Hong Kong dollars or Renminbi against any foreign currencies or a change in any other currency exchange rates or the implementation of any exchange control), in or affecting any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;

- (iv) any moratorium, suspension, restriction or material limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the NYSE, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;
- (v) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at the U.S. Federal or New York State level or by any other competent Authority), London, mainland China, the European Union (taken as a whole), Japan or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking activities or foreign exchange trading or securities settlement, payment or clearance services, procedures or matters in or affecting any of those places or jurisdictions;
- (vi) any change or development involving a prospective change in or affecting taxation affecting our Company, any member of our Group, or our Shares or transfer thereof;
- (vii) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any Authority (as defined in the Hong Kong Underwriting Agreement) affecting the business or operations of our Company or members of our Group;
- (viii) any litigation, proceedings, investigations, process for administrative sanctions or other actions initiated by any Authority before any Authority, in each case with due authority, against or involving any party hereto, in the PRC or elsewhere, that seeks to declare non-compliance, unlawful or illegal, under PRC laws, rules and regulations, the issuance and sales of our Shares, the listing and trading of the Class A Ordinary Shares on the Main Board of the Stock Exchange and the Hong Kong Underwriting Agreement and the transactions contemplated thereby;

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- (ix) any new law, statute, rule, order or regulation or any change or any development involving a prospective change in existing laws or regulations or any event or circumstance likely to result in a change or any development involving a prospective change in (or in the interpretation or application by any court or governmental authority of) existing law or regulations, in each case, in or affecting any of the Relevant Jurisdictions;
- (x) any litigation, dispute, legal action or claim or regulatory investigation or action being threatened or instigated against any member of our Group or any of their respective directors or any Director;
- (xi) any Director or member of senior management of our Company as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the directorship position or management of a company;
- (xii) any executive Directors or any other member of senior management of our Company as named in this prospectus vacating his or her office other than as set forth in this prospectus;
- (xiii) a valid demand by creditors for repayment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xiv) any contravention by our Company, any member of our Group, or any Director of any law and regulations or the Listing Rules;
- (xv) other than with the prior written consent of the Joint Representatives, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus, the Green Application Form or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertakings of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

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which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the other Hong Kong Underwriters):

- (1) has or will or is likely to have a material adverse effect, or
 - (2) has or will have or is likely to have a material adverse effect or any development involving a prospective material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering, or
 - (3) makes or will make or is likely to make it inadvisable, inexpedient or impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to be implemented or to proceed as envisaged or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement), or
 - (4) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering or the International Offering incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Sponsors and Joint Representatives:
- (i) any development or occurrence of a suspension or limitation in trading of our Company's securities on the NYSE;
 - (ii) any development or occurrence of any non-compliance of the Offering Documents (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations in any material respect;
 - (iii) that any statement contained in the Offering Documents, the Formal Notice, announcements published on the website of the Stock Exchange, the PHIP and/or any notices, press release, announcements, advertisements, investor communication materials, roadshow materials communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Company relating to or in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding factual information solely relating to the Underwriters, which only

UNDERWRITING

comprises the names, logos and addresses of such underwriters) (collectively, the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate or incomplete in any material respect or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in such documents is not fair and honest and based on reasonable grounds or reasonable assumptions, when taken as a whole;

- (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any part of Offer Related Documents;
- (v) that there is a breach of, or any matter, event or circumstance rendering untrue, incorrect, incomplete, inaccurate or misleading in any respect, any of the warranties given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (vi) any material breach of any of the obligations imposed upon our Company to the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (vii) that there is any change or development with material adverse effect;
- (viii) that the approval by the Listing Committee of the listing of, and permission to deal in, (a) the Class A Ordinary Shares in issue and to be issued pursuant to the Global Offering (including the additional Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (b) the Class A Ordinary Shares that are issuable upon conversion of the Class B Ordinary Shares on a one to one basis is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (ix) that any of the experts specified in this prospectus (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (x) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the additional Class A Ordinary Shares which our Company may be required to issue pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering;

UNDERWRITING

- (xi) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (xii) a material portion of the orders placed or confirmed in the bookbuilding process have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not exercise our power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange, our Company, the Joint Sponsors and the Joint Global Coordinators that, except pursuant to the Global Offering (including the Over-allotment Option), it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (a) when it pledges or charges any securities of the Company beneficially owned by it in favor of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Hong Kong Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (a) and (b) above by the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we undertake to each of the Joint Sponsors and the Joint Representatives that, except for (a) the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to any exercise of the Over-allotment Option); (b) the issue of Class A Ordinary Share or ADSs pursuant to the 2015 Equity Incentive Plan, including one or more bulk issuances of such securities in contemplation of future issuances under the 2015 Equity Incentive Plan in compliance with the Listing Rules and applicable Laws; (c) any capitalization issue, capital reduction or consolidation or sub-division of shares; (d) registration and issuance of ADSs and ADRs without enlarging the issued and outstanding share capital of our Company as at the date of the Hong Kong Underwriting Agreement; or (e) repurchase of securities pursuant to our Company's share repurchase programs existing on the date of the International Underwriting Agreement to the extent in compliance with the Listing Rules and applicable Laws, our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves only) and unless in compliance with the Listing Rules, at any time during the period commencing on the date hereof and ending on the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise

UNDERWRITING

transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Class A Ordinary Shares or other securities of our Company or any share or other securities of such other member of our Group, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Class A Ordinary Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing), or deposit any Share or other securities of our Company or any shares or other securities of such member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Class A Ordinary Shares or other securities of our Company or any share or other securities of such other member of our Group, as applicable, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Class A Ordinary Shares or other securities of our Company or any share or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any such transaction described in (i), (ii) or (iii) above,

in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of the Class A Ordinary Shares or other securities of our Company, in cash or otherwise (whether or not the issue of such Class A Ordinary Shares or other securities of our Company will be completed within the First Six-Month Period). For the avoidance of doubt, (i) above shall not apply to any issue of debt securities by our Company which are not convertible into equity securities of our Company or of any other member of our Group or any transfer or sales of existing Class A Ordinary Shares registered on any register of members of our Company as of the date of the Hong Kong Underwriting Agreement. In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall not enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company. In the event that our Company enters into any of the transactions specified

UNDERWRITING

in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering – The International Offering”.

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 1,095,000 Offer Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the International Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See “Structure of the Global Offering – Over-allotment Option”.

Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission equal to 4.0%, in each case, of the aggregate Public Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any unsubscribed Hong Kong Offer Shares reallocated to the International Offering), out of which they will pay any sub-underwriting commissions and other fees.

The International Underwriters are expected to receive an underwriting commission equal to 4.0%, in each case, of the aggregate International Offer Price in respect of all the International Offer Shares (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, any International Offer Shares reallocated to the Hong Kong Public Offering and any Offer Shares to be issued by us pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

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The aggregate maximum underwriting commissions and fees payable to the Underwriters in relation to the Global Offering (assuming an indicative offer price of HK\$22.80 per Offer Share for both the Hong Kong Public Offering and the International Offering and the exercise of the Over-allotment Option in full) will be approximately HK\$19.4 million.

The aggregate maximum underwriting commissions and fees together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy, the Hong Kong Stock Exchange trading fee, Financial Reporting Council transaction levy, SEC registration fees, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$73.0 million (assuming an indicative offer price of HK\$22.80 per Offer Share for both the Hong Kong Public Offering and the International Offering and the exercise of the Over-allotment Option in full) and will be paid by us.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

UNDERWRITING

In relation to the Class A Ordinary Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Class A Ordinary Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Class A Ordinary Shares (which financing may be secured by the Class A Ordinary Shares) in the Global Offering, proprietary trading in the Class A Ordinary Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Class A Ordinary Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Class A Ordinary Shares, which may have a negative impact on the trading price of the Class A Ordinary Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Class A Ordinary Shares, in baskets of securities or indices including the Class A Ordinary Shares, in units of funds that may purchase the Class A Ordinary Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Class A Ordinary Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Class A Ordinary Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Class A Ordinary Shares, the liquidity or trading volume in the Class A Ordinary Shares and the volatility of the price of the Class A Ordinary Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and certain of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the Class A Ordinary Shares on the Main Board of the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Class A Ordinary Shares in issue and to be issued as mentioned in this prospectus.

7,300,000 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 730,000 Offer Shares (subject to reallocation) in Hong Kong as described in “– The Hong Kong Public Offering” below; and
- the International Offering of initially 6,570,000 Offer Shares (subject to reallocation and the Over-allotment Option) pursuant to the registration statement on Form F-3, as amended, that was filed with the SEC on May 31, 2022, including the preliminary prospectus dated June 22, 2022 and the final prospectus to be filed with the SEC on or about June 27, 2022.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 1.26% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to the 2015 Equity Incentive Plan. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 1.45% of the total Shares in issue immediately following the completion of the Global Offering (without taking into account the Shares to be issued pursuant to the 2015 Equity Incentive Plan).

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 730,000 Offer Shares for subscription by the public in Hong Kong at the Public Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.13% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to 2015 Equity Incentive Plan).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “– Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Share.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, Financial Reporting Council transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, Financial Reporting Council transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Public Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 365,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 2,190,000 Offer Shares (in the case of (a)), 2,920,000 Offer Shares (in the case of (b)) and 3,650,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

In addition, the Joint Representatives may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering at the discretion of the Joint Representatives. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such allocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the number of Offer Shares initially available to the Hong Kong Public Offering (i.e. 1,460,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Global Offering).

STRUCTURE OF THE GLOBAL OFFERING

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

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Hong Kong Public Offering, which is expected to be published on Monday, July 4, 2022.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Share under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Public Offer Price of HK\$22.80 per Offer Share in addition to the brokerage, the SFC transaction levy, Financial Reporting Council transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$4,605.96 for one board lot of 200 Offer Shares. If the Public Offer Price, as finally determined in the manner described in “– Pricing and Allocation” below, is less than the maximum Public Offer Price of HK\$22.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, Financial Reporting Council transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 6,570,000 Offer Shares offered by us (subject to reallocation and the Over-allotment Option), representing 90% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.14% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued pursuant to the 2015 Equity Incentive Plan).

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering includes the U.S. offering of the Offer Shares in the United States as well as the non-U.S. offering to institutional and professional investors and other investors in jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “– Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our benefit and the benefit of the Shareholders as a whole.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “– The Hong Kong Public Offering – Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 1,095,000 Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the International Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

STRUCTURE OF THE GLOBAL OFFERING

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.19% of the total Shares in issue immediately following the completion of the Global Offering without taking into account the Shares to be issued pursuant to the 2015 Equity Incentive Plan. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Public Offer Price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Class A Ordinary Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Class A Ordinary Shares, (b) selling or agreeing to sell the Class A Ordinary Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Class A Ordinary Shares, (c) purchasing, or agreeing to purchase, the Class A Ordinary Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Class A Ordinary Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Class A Ordinary Shares, (e) selling or agreeing to sell any Class A Ordinary Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in clauses (b), (c), (d) or (e) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Class A Ordinary Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Class A Ordinary Shares;
- no stabilizing action can be taken to support the price of the Class A Ordinary Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Wednesday, July 27, 2022, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Class A Ordinary Shares, and therefore the price of the Class A Ordinary Shares, could fall;
- the price of the Class A Ordinary Shares cannot be assured to stay at or above the Public Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Public Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In addition, stabilization transactions with respect to the ADSs may be effected by one of the Underwriters or its affiliates before and after the listing of the Class A Ordinary Shares on the Hong Kong Stock Exchange in accordance with applicable laws and regulations.

Over-Allocation

Following any over-allocation of Class A Ordinary Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, using Class A Ordinary Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Public Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

To cover any over-allocation of Class A Ordinary Shares in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 1,095,000 Class A Ordinary Shares (being the maximum number of Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Tenet Group, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager or its affiliates and Tenet Group on or about the Price Determination Date.

The same number of Class A Ordinary Shares so borrowed must be returned to Tenet Group or their nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Tenet Group by the Stabilizing Manager (or any person acting for it) in relation to such shares borrowing arrangement.

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or about Monday, June 27, 2022 and, in any event, no later than Monday, July 4, 2022, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Public Offer Price will be determined by reference to, among other factors, the closing price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (which is accessible to the Shareholders and potential investors at <https://www.nyse.com/quote/XNYS:TUYA>), and the Public Offer Price will not be more than HK\$22.80 per Hong Kong Offer Share. The historical prices of our ADSs and trading volume on the NYSE are set out below.

Period ⁽¹⁾	High (US\$)	Low (US\$)	ADTV (ADSs) ⁽²⁾
From March 18, 2021 to December 31, 2021	27.65	4.88	1,960,235
Fiscal year of 2022 (up to the Latest Practicable Date)	6.70	1.75	1,901,560

Notes:

- (1) We have not declared or paid any dividends on our ADSs or Shares since our inception and up to the Latest Practicable Date, including the periods presented.
- (2) Average daily trading volume (“ADTV”) represents daily average number of our ADSs traded over the relevant period.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering must pay, on application, the maximum Public Offer Price of HK\$22.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%, amounting to a total of HK\$4,605.96 for one board lot of 200 Offer Shares.

The International Offer Price may be set at a level higher than the maximum Public Offer Price if (a) the Hong Kong dollar equivalent of the closing trading price of the ADSs on the NYSE on the last trading day on or before the Price Determination Date (on a per-Share converted basis) were to exceed the maximum Public Offer Price as stated in this prospectus and/or (b) we believe that it is in the best interest of the Company as a listed company to set the International Offer Price at a level higher than the maximum Public Offer Price based on the level of interest expressed by professional and institutional investors during the bookbuilding process.

If the International Offer Price is set at or lower than the maximum Public Offer Price, the Public Offer Price must be set at such price which is equal to the International Offer Price. In no circumstances will the Public Offer Price be set above the maximum Public Offer Price as stated in this prospectus or the International Offer Price.

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Hong Kong Stock Exchange at ir.tuya.com and www.hkexnews.hk, respectively, notice of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering, extend the period under which the Hong Kong Public Offering is opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions. Upon the issue of such a notice, the revised number of Offer Shares will be final. If the number of Offer Shares is so reduced, applicants under the Hong Kong Public Offering who have already submitted an application will need to positively confirm their applications and all unconfirmed applications will not be valid.

STRUCTURE OF THE GLOBAL OFFERING

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced.

Announcement of Final Pricing of the Offer Shares

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company agreeing on the pricing of the Offer Shares.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Class A Ordinary Shares in issue and to be issued as mentioned in this prospectus, on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- the pricing of the Offer Shares having been agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the pricing of the Offer Shares is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company on or before Monday, July 4, 2022, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Hong Kong Stock Exchange at ir.tuya.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Tuesday, July 5, 2022, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE CLASS A ORDINARY SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, July 5, 2022, it is expected that dealings in the Class A Ordinary Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, July 5, 2022.

The Class A Ordinary Shares will be traded in board lots of 200 Class A Ordinary Shares each and the stock code of the Class A Ordinary Shares will be 2391.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at ir.tuya.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

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

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Representatives, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- have a Hong Kong address.

If an application is made by a person under a power of attorney, we and the Joint Representatives, as our agents, may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange (details of the relevant waivers are set out in the section headed “Waivers and Exemptions”), you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares in the Company and/or a substantial shareholder of any of our subsidiaries;
- you are a Director or chief executive of the Company and/or a director or chief executive officer of any of its subsidiaries;
- you are a close associate (as defined in the Hong Kong Listing Rules) of any of the above persons;
- you are a core connected person (as defined in the Hong Kong Listing Rules) of the Company or will become a core connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus you:

- undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the “**Relevant Persons**”), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that we, our Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Tuya Inc.
(HK\$22.80 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED
FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
200	4,605.96	4,000	92,119.16	35,000	806,042.65	160,000	3,684,766.37
400	9,211.92	5,000	115,148.95	40,000	921,191.59	180,000	4,145,362.17
600	13,817.87	6,000	138,178.74	45,000	1,036,340.54	200,000	4,605,957.96
800	18,423.83	7,000	161,208.53	50,000	1,151,489.49	220,000	5,066,553.75
1,000	23,029.79	8,000	184,238.31	60,000	1,381,787.39	240,000	5,527,149.55
1,200	27,635.75	9,000	207,268.11	70,000	1,612,085.28	260,000	5,987,745.35
1,400	32,241.71	10,000	230,297.90	80,000	1,842,383.19	280,000	6,448,341.15
1,600	36,847.65	15,000	345,446.84	90,000	2,072,681.08	300,000	6,908,936.94
1,800	41,453.62	20,000	460,595.79	100,000	2,302,978.98	320,000	7,369,532.73
2,000	46,059.58	25,000	575,744.75	120,000	2,763,574.77	340,000	7,830,128.53
3,000	69,089.37	30,000	690,893.70	140,000	3,224,170.57	365,000 ⁽¹⁾	8,405,873.27

(1) Maximum number of Hong Kong Offer Shares you may apply for.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “– Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names on the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Wednesday, June 22, 2022 until 11:30 a.m. on Monday, June 27, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, June 27, 2022, the last day for applications, or such later time as described in “– 10. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply for Hong Kong Offer Shares through the **White Form eIPO** service, once you have completed payment in respect of an **electronic application instruction** given by you or for your benefit, an actual application will be deemed to have been made by you or for your benefit. However, giving multiple **electronic application instructions** through the **White Form eIPO** service and obtaining different application reference numbers without effecting full payment in respect of a particular reference number, that application will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of making more than one application through the **White Form eIPO** service or any other channel, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Tuya Inc.” **White Form eIPO** application submitted via the www.eipo.com.hk to support sustainability.

6. Applying Through CCASS EIPO Service

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a **CCASS Clearing Participant** or a **CCASS Custodian Participant** to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Sponsors, the Joint Representatives and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that we, our Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither we nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or they may require about you;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with us, for ourselves and for the benefit of each Shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Public Offer Price, brokerage, SFC transaction levy, Financial Reporting Council transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Public Offer Price is less than the maximum Public Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, Financial Reporting Council transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions¹

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, June 22, 2022 – 9:00 a.m. to 8:30 p.m.
Thursday, June 23, 2022 – 8:00 a.m. to 8:30 p.m.
Friday, June 24, 2022 – 8:00 a.m. to 8:30 p.m.
Monday, June 27, 2022 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, June 22, 2022 until 12:00 noon on Monday, June 27, 2022 (24 hours daily, except on Monday, June 27, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, June 27, 2022, the last day for applications, or such later time as described in “– 10. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

- 1 The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS eIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, our Directors, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS eIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, June 27, 2022, the last day for applications, or such later time as described in “– 10. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

HOW TO APPLY FOR HONG KONG OFFER SHARES

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. How Much are the Hong Kong Offer Shares

The maximum Public Offer Price is HK\$22.80 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK\$4,605.96.

You must pay the maximum Public Offer Price, together with brokerage, SFC transaction levy, Financial Reporting Council transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 200 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section “– A. Applications for Hong Kong Offer Shares – 4. Minimum Application Amount and Permitted Numbers.”

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), and the SFC transaction levy, Financial Reporting Council transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy and the Financial Reporting Council transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and the Financial Reporting Council respectively).

For further details on the Public Offer Price, see “Structure of the Global Offering – Pricing and Allocation.”

10. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

HOW TO APPLY FOR HONG KONG OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, June 27, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, June 27, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made on our website at ir.tuya.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

11. Publication of Results

We expect to announce the pricing of the Offer Shares on Monday, July 4, 2022 on our website at ir.tuya.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Monday, July 4, 2022 on our website at ir.tuya.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our website and the website of Hong Kong Stock Exchange at ir.tuya.com and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Monday, July 4, 2022;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, July 4, 2022 to 12:00 midnight on Sunday, July 10, 2022; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Monday, July 4, 2022 to Thursday, July 7, 2022.

If we accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed “Structure of the Global Offering.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. Circumstances in Which You Will Not Be Allocated Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If we or our agents exercise discretion to reject your application:

We, the Joint Representatives, the **White Form eIPO** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the Class A Ordinary Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 365,000 Hong Kong Offer Shares, being 50% of the 730,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- we or the Joint Representatives believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Public Offer Price as finally determined is less than the maximum Public Offer Price per Offer Share (excluding brokerage, SFC transaction levy, Financial Reporting Council transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering – Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, Financial Reporting Council transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Monday, July 4, 2022.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Monday, July 4, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, July 5, 2022, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

- *If you apply through the White Form eIPO service:*
 - If you apply for 100,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, July 4, 2022, or any other place or date notified by us as the date of dispatch or collection of Share certificates.
 - If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
 - If you apply for less than 100,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, July 4, 2022 by ordinary post and at your own risk.
 - If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.
- *If you apply through CCASS EIPO service:*

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, July 4, 2022 or on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “– Publication of Results” above on Monday, July 4, 2022. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 4, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Monday, July 4, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Public Offer Price and the maximum Public Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, Financial Reporting Council transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, July 4, 2022.

15. ADMISSION OF THE CLASS A ORDINARY SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Class A Ordinary Shares and we comply with the stock admission requirements of HKSCC, the Class A Ordinary Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Class A Ordinary Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Class A Ordinary Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TUYA INC. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, MERRILL LYNCH (ASIA PACIFIC) LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Tuya Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-71, which comprises the consolidated balance sheets as of December 31, 2019, 2020 and 2021, the company balance sheets as of December 31, 2019, 2020 and 2021, and the consolidated statements of comprehensive loss, the consolidated statements of changes in shareholders' (deficit)/equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 22, 2022 (the "Prospectus") in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note II 2(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note II 2(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as of December 31, 2019, 2020 and 2021 and the consolidated financial position of the Group as of December 31, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note II 2(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-3 have been made.

Dividends

No dividends have been paid by Tuya Inc. in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 22, 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of the Company based on the previously issued financial statements of the Group for the Track Record Period ("Historical Financial Statements"). The previously issued consolidated financial statements of the Group were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") ("Historical Financial Statements"). The previously issued consolidated financial statements of the Group for the years ended December 31, 2019, 2020 and 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and were published on the website of the Securities and Exchange Commission of the United States pursuant to the regulatory requirement as set out in Rule 101(a) of Regulation S-T.

The Historical Financial Information is presented in U.S. dollars ("US\$") and all values are rounded to the nearest thousand ("US\$") except when otherwise indicated.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		As of December 31,		
	Note	2019	2020	2021
		US\$	US\$	US\$
ASSETS				
Current assets:				
Cash and cash equivalents		213,258	158,792	963,938
Restricted cash		29	163	638
Short-term investments	2(e), 4	16,663	20,976	102,134
Accounts receivable, net	5	5,351	12,316	32,701
Notes receivable		379	9,126	1,393
Inventories, net	6	23,019	42,267	62,582
Prepayments and other current assets	7	8,008	4,393	27,882
Total current assets		266,707	248,033	1,191,268
Non-current assets:				
Property, equipment and software, net	8	2,840	4,374	6,805
Operating lease right-of-use assets, net	10	8,658	12,267	22,181
Long-term investments	2(e), 9	430	920	26,078
Other non-current assets	7	769	1,729	1,818
Total non-current assets		12,697	19,290	56,882
Total assets		279,404	267,323	1,248,150
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' (DEFICIT)/EQUITY				
Current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiary of 739, 778 and 1,221 as of December 31, 2019, 2020 and 2021, respectively):				
Accounts payable	11	12,176	23,159	12,212
Advance from customers		14,051	27,078	31,088
Deferred revenue, current	2(r), 13	516	3,468	9,254
Accruals and other current liabilities	12	19,698	31,738	50,847
Income tax payable		155	159	—
Lease liabilities, current	10	3,763	6,326	5,697
Total current liabilities		50,359	91,928	109,098
Non-current liabilities (including amounts of the consolidated VIE without recourse to the primary beneficiary of 33, nil and 38 as of December 31, 2019, 2020 and 2021, respectively):				
Lease liabilities, non-current	10	5,210	5,688	16,048
Deferred revenue, non-current	2(r), 13	261	707	859
Other non-current liabilities	12	—	—	8,484
Total non-current liabilities		5,471	6,395	25,391
Total liabilities		55,830	98,323	134,489

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	<i>Note</i>	As of December 31,		
		2019	2020	2021
		US\$	US\$	US\$
Mezzanine equity				
Series A convertible preferred shares (US\$0.00005 par value; 65,288,360 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	9,000	9,000	–
Series A-1 convertible preferred shares (US\$0.00005 par value; 15,959,140 shares authorized as of December 31, 2019 and 2020, respectively; 12,222,267 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	2,680	2,680	–
Series B convertible preferred shares (US\$0.00005 par value; 90,782,550 shares authorized as of December 31, 2019 and 2020, respectively; 87,756,440 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	29,000	29,000	–
Series C convertible preferred shares (US\$0.00005 par value; 60,469,840 shares authorized as of December 31, 2019 and 2020, respectively; 60,468,490 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	115,007	115,007	–
Series D convertible preferred shares (US\$0.00005 par value; 75,000,000 shares authorized as of December 31, 2019 and 2020, respectively; 52,428,242 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	177,980	177,980	–
Total mezzanine equity		333,667	333,667	–

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		As of December 31,		
	Note	2019	2020	2021
		US\$	US\$	US\$
Shareholders' (deficit)/equity:				
Ordinary shares (US\$0.00005 par value; 692,500,110 shares authorized, 221,980,000 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	16	11	11	–
Class A ordinary shares (US\$0.00005 par value; nil, nil and 600,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 491,846,560 shares issued as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 480,241,752 shares outstanding as of December 31, 2019, 2020 and 2021, respectively)	16	–	–	25
Class B ordinary shares (US\$0.00005 par value; nil, nil and 200,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 79,400,000 shares issued and outstanding as of December 31, 2019, 2020 and 2021, respectively)	16	–	–	4
Treasury stock (US\$0.00005 par value; nil, nil and 11,604,808 shares as of December 31, 2019, 2020 and 2021, respectively)		–	–	(46,930)
Additional paid-in capital		17,869	27,315	1,526,140
Subscription receivables from shareholders	22	(10)	–	–
Accumulated other comprehensive (loss)/income		(2,401)	481	2,320
Accumulated deficit		(125,562)	(192,474)	(367,898)
Total shareholders' (deficit)/equity		(110,093)	(164,667)	1,113,661
Total liabilities, mezzanine equity and shareholders' (deficit)/equity		279,404	267,323	1,248,150

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		Year Ended December 31,		
	Note	2019	2020	2021
		US\$	US\$	US\$
Revenue	2(r)	105,789	179,874	302,076
Cost of revenue		(78,003)	(117,937)	(174,209)
Gross profit		<u>27,786</u>	<u>61,937</u>	<u>127,867</u>
Operating expenses:				
Research and development expenses		(52,003)	(77,430)	(174,289)
Sales and marketing expenses		(37,017)	(37,556)	(75,384)
General and administrative expenses		(12,196)	(17,868)	(71,589)
Other operating (expenses)/incomes, net		<u>(10)</u>	<u>1,071</u>	<u>9,835</u>
Total operating expenses		<u>(101,226)</u>	<u>(131,783)</u>	<u>(311,427)</u>
Loss from operations		<u>(73,440)</u>	<u>(69,846)</u>	<u>(183,560)</u>
Other income/(loss)				
Other non-operating incomes, net		–	–	1,958
Financial income, net	14	3,326	3,220	7,286
Foreign exchange loss, net		<u>(239)</u>	<u>(80)</u>	<u>(618)</u>
Loss before income tax expense		<u>(70,353)</u>	<u>(66,706)</u>	<u>(174,934)</u>
Income tax expense	19	<u>(124)</u>	<u>(206)</u>	<u>(490)</u>
Net loss		<u>(70,477)</u>	<u>(66,912)</u>	<u>(175,424)</u>
Net loss attributable to Tuya Inc.		<u>(70,477)</u>	<u>(66,912)</u>	<u>(175,424)</u>
Deemed dividend to convertible preferred shareholders		<u>(3,430)</u>	<u>–</u>	<u>–</u>
Net loss attributable to ordinary shareholders		<u>(73,907)</u>	<u>(66,912)</u>	<u>(175,424)</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		Year Ended December 31,		
	<i>Note</i>	2019	2020	2021
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Net loss		(70,477)	(66,912)	(175,424)
Other comprehensive (loss)/income				
Changes in fair value of long-term investments		–	–	357
Foreign currency translation		(428)	2,882	1,482
Total comprehensive loss attributable to Tuya Inc.		<u>(70,905)</u>	<u>(64,030)</u>	<u>(173,585)</u>
Net loss attributable to Tuya Inc.		(70,477)	(66,912)	(175,424)
Deemed dividend to convertible preferred shareholders		<u>(3,430)</u>	<u>–</u>	<u>–</u>
Net loss attributable to ordinary shareholders		<u>(73,907)</u>	<u>(66,912)</u>	<u>(175,424)</u>
Weighted average number of ordinary shares used in computing net loss per share, basic and diluted	20	221,980,000	221,980,000	489,149,533
Net loss per share attributable to ordinary shareholders – basic and diluted	20	(0.33)	(0.30)	(0.36)
Share-based compensation expenses were included in:				
Research and development expenses		1,218	2,596	14,542
Sales and marketing expenses		1,109	1,529	6,702
General and administrative expenses		2,893	5,321	44,845

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021**

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	Ordinary shares (US\$0.00005 par value)		Treasury stock				Total shareholders' deficit		
	Number of shares issued	Amount	Additional paid-in capital	Number of shares	Amount	Receivables from shareholders			
								US\$	US\$
20	221,980,000	11	16,079	-	-	(10)	(1,973)	(55,085)	(40,978)
Net loss	-	-	-	-	-	-	-	(70,477)	(70,477)
Foreign currency translation adjustment	-	-	-	-	-	-	(428)	-	(428)
Deemed dividend to convertible preferred shareholders	-	-	(3,430)	-	-	-	-	-	(3,430)
Share-based compensation	-	-	5,220	-	-	-	-	-	5,220
20	221,980,000	11	17,869	-	-	(10)	(2,401)	(125,562)	(110,093)
Net loss	-	-	-	-	-	-	-	(66,912)	(66,912)
Subscription contributions from shareholders	-	-	-	-	-	10	-	-	10
Foreign currency translation adjustment	-	-	-	-	-	-	2,882	-	2,882
Share-based compensation	-	-	9,446	-	-	-	-	-	9,446
20	221,980,000	11	27,315	-	-	-	481	(192,474)	(164,667)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT)/EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		Ordinary shares (US\$0.00005 par value)		Treasury stock			Accumulated			Total shareholders' (deficit)/equity
		Number of shares issued	Amount	Additional paid-in capital	Number of shares issued	Amount	Receivables from shareholders	other comprehensive income	Accumulated deficit	
Note		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance as of December 31, 2020										
	20	221,980,000	11	27,315	-	-	-	481	(192,474)	(164,667)
Issuance of ordinary shares upon Initial Public Offering and related over-allotment option, net of cost of issuance										
16		45,076,479	2	904,730	-	-	-	-	-	904,732
Issuance of ordinary shares prior to Initial Public Offering										
16		16,026,282	1	199,999	-	-	-	-	-	200,000
Conversion of redeemable preferred shares										
17		278,163,799	14	333,653	-	-	-	-	-	333,667
Issuance of ordinary shares reserved for equity incentive plan										
16		10,000,000	1	-	(10,000,000)	(1)	-	-	-	-
Repurchase of ordinary shares										
16		-	-	-	(7,008,269)	(53,645)	-	-	-	(53,645)
Exercise of share option										
		-	-	(5,646)	5,403,461	6,716	-	-	-	1,070
Net loss										
		-	-	-	-	-	-	-	(175,424)	(175,424)
Fair value change of long-term investment										
		-	-	-	-	-	-	357	-	357
Foreign currency translation adjustment										
		-	-	-	-	-	-	1,482	-	1,482
Share-based compensation										
		-	-	66,089	-	-	-	-	-	66,089
Balance as of December 31, 2021										
20		571,246,560	29	1,526,140	(11,604,808)	(46,930)	-	2,320	(367,898)	1,113,661

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	<i>Note</i>	Year Ended December 31,		
		2019	2020	2021
		US\$	US\$	US\$
Cash flows from operating activities:				
Net loss		(70,477)	(66,912)	(175,424)
Adjustments to reconcile net loss to net cash generated from operating activities:				
Share-based compensation		5,220	9,446	66,089
Depreciation and amortization of property, equipment and software	8	758	1,662	3,369
Amortization of right-of-use assets	10	2,640	4,022	6,981
Allowance for doubtful receivables	5	366	278	1,030
Inventory write-downs	6	291	539	1,806
Loss on disposal of property, equipment and software		1	–	365
Gain on disposal of a long-term investment		–	(147)	–
Loss on foreign currency exchange rates		239	80	618
Fair value change on short-term and long-term investments	14	–	–	833
Cash flows from operating activities:				
Changes in operating assets and liabilities:				
Accounts receivable		(4,010)	(7,243)	(23,430)
Notes receivable		2,627	(8,747)	7,733
Inventories		(11,037)	(19,787)	(22,121)
Prepayments and other current assets		(1,749)	3,615	(13,134)
Other non-current assets		(549)	(778)	(89)
Accounts payable		7,498	10,983	(10,947)
Advance from customers		1,493	13,027	4,010
Deferred revenue		554	3,398	5,938
Income tax payable		73	4	(159)
Accruals and other payables		11,811	11,939	19,109
Lease liabilities		(2,312)	(4,590)	(7,164)
Other non-current liability		–	–	8,484
Net cash used in operating activities		(56,563)	(49,211)	(126,103)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	<i>Note</i>	Year Ended December 31,		
		2019	2020	2021
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cash flows from investing activities:				
Payment for short-term investments		(270,417)	(196,806)	(468,705)
Proceeds from disposal of short-term investments		281,456	192,493	385,549
Purchase of property, equipment and software		(2,487)	(3,201)	(6,193)
Proceeds from disposal of property, equipment and software		5	5	28
Provision of bridge loans		–	–	(2,930)
Loan repayment		–	–	628
Payment for long-term investments		(66)	(564)	(21,334)
Proceeds from disposal of a long-term investment		–	221	–
Net cash generated from/(used in) investing activities		8,491	(7,852)	(112,957)
Cash flows from financing activities:				
Proceeds from issuance of convertible preferred shares, net of issuance costs		177,980	–	–
Proceeds from issuance of Class A ordinary shares upon Initial Public Offering and related over-allotment option, net of cost of issuance		–	–	904,732
Payment for repurchase of ordinary shares		–	–	(64,000)
Proceeds from issuance of ordinary shares prior to Initial Public Offering		–	–	200,000
Proceeds from exercise of share options		–	–	1,070
Payment for repurchase of convertible preferred shares		(3,750)	–	–
Payments of deferred offering costs		–	(182)	–
Subscription contributions from shareholders		–	10	–
Net cash generated from/(used in) financing activities		174,230	(172)	1,041,802

FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

		Year Ended December 31,		
	<i>Note</i>	2019	2020	2021
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Effect of exchange rate changes on cash and cash equivalents, restricted cash		(481)	2,903	2,879
Net increase/(decrease) in cash and cash equivalents, restricted cash		125,677	(54,332)	805,621
Cash and cash equivalents, restricted cash at the beginning of year		87,610	213,287	158,955
Cash and cash equivalents, restricted cash at the end of year		<u>213,287</u>	<u>158,955</u>	<u>964,576</u>
Supplemental cash flow disclosures				
Cash paid for income tax		(197)	(210)	(616)
Supplemental schedule of non-cash investing activities				
Conversion from bridge loan into investment		–	–	2,302
		As of December 31,		
		2019	2020	2021
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cash and cash equivalents	<i>2(f)</i>	213,258	158,792	963,938
Restricted cash	<i>2(g)</i>	29	163	638
Total cash, cash equivalents and restricted cash shown in the statement of cash flows		<u>213,287</u>	<u>158,955</u>	<u>964,576</u>

COMPANY BALANCE SHEETS

AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		As of December 31,		
	Note	2019	2020	2021
		US\$	US\$	US\$
ASSETS				
Current assets:				
Cash and cash equivalents		151,231	20	15,833
Amounts due from subsidiaries	23	21,577	174,753	346,859
Prepayments and other current assets		138	–	13,345
Total current assets		172,946	174,773	376,037
Non-current assets:				
Investment in subsidiaries and VIE	1(b)	50,687	–	753,005
Other non-current assets		–	182	–
Total non-current assets		50,687	182	753,005
Total assets		223,633	174,955	1,129,042
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT/(EQUITY)				
Liabilities				
Accruals and other current liabilities	12	59	349	6,897
Amounts due to subsidiaries and VIE	23	–	673	–
Other non-current liabilities		–	–	8,484
Investment deficit in subsidiaries and VIE	1(b)	–	4,933	–
Total liabilities		59	5,955	15,381
Mezzanine equity				
Series A convertible preferred shares (US\$0.00005 par value; 65,288,360 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	9,000	9,000	

COMPANY BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	Note	As of December 31,		
		2019	2020	2021
		US\$	US\$	US\$
Series A-1 convertible preferred shares (US\$0.00005 par value; 15,959,140 shares authorized as of December 31, 2019 and 2020, respectively; 12,222,267 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	2,680	2,680	–
Series B convertible preferred shares (US\$0.00005 par value; 90,782,550 shares authorized as of December 31, 2019 and 2020, respectively; 87,756,440 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	29,000	29,000	–
Series C convertible preferred shares (US\$0.00005 par value; 60,469,840 shares authorized as of December 31, 2019 and 2020, respectively; 60,468,490 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	115,007	115,007	–
Series D convertible preferred shares (US\$0.00005 par value; 75,000,000 shares authorized December 31, 2019 and 2020, respectively; 52,428,242 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	177,980	177,980	–
Total mezzanine equity		333,667	333,667	–

COMPANY BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2019, 2020 AND 2021

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

		As of December 31,		
	Note	2019	2020	2021
		US\$	US\$	US\$
Shareholders' (deficit)/equity:				
Ordinary shares (US\$0.00005 par value; 692,500,110 shares authorized, 221,980,000 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	16	11	11	–
Class A ordinary shares (US\$0.00005 par value; nil, nil and 600,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 491,846,560 shares issued as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 480,241,752 shares outstanding as of December 31, 2019, 2020 and 2021, respectively)	16	–	–	25
Class B ordinary shares (US\$0.00005 par value; nil, nil and 200,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 79,400,000 shares issued and outstanding as of December 31, 2019, 2020 and 2021, respectively)	16	–	–	4
Treasury stock (US\$0.00005 par value; nil, nil and 11,604,808 shares as of December 31, 2019, 2020 and 2021, respectively)		–	–	(46,930)
Additional paid-in capital		17,869	27,315	1,526,140
Subscription receivables from shareholders	22	(10)	–	–
Accumulated other comprehensive (loss)/income		(2,401)	481	2,320
Accumulated deficit		(125,562)	(192,474)	(367,898)
Total shareholders' (deficit)/equity		(110,093)	(164,667)	1,113,661
Total liabilities, mezzanine equity and shareholders' (deficit)/equity		223,633	174,955	1,129,042

II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES**(a) Principal Activities**

Tuya Inc. (the “Company”) was incorporated under the laws of the Cayman Islands on August 28, 2014, as an exempted company with limited liability. The Company and its subsidiaries and consolidated variable interest entity (“VIE”) (collectively referred to as the “Group”) are principally engaged in offering PaaS (Platform-as-a-Service) to business customers developing IoT (Internet of Things) devices, including brands and their OEMs (original equipment manufacturer). Also, the Group offers Industry SaaS (Software-as-a-Service) and cloud-based value-added services to its customers. The Group also sells finished smart devices powered by Tuya purchased from qualified OEMs (the “Smart device distribution”).

(b) History of the Group

Prior to the incorporation of Tuya Inc. in August 2014, the Group commenced its initial operations through Hangzhou Tuya Technology Co., Ltd. (“Hangzhou Tuya Technology”), which was established on June 16, 2014 by Wang Xueji and another individual. After a series of agreements, Hangzhou Tuya Technology was owned by Wang Xueji and other four individuals (collectively, the “Registered Shareholders”) together with two unrelated investors of Series Angel financing (the “Non-Registered Shareholders VIE Investors”) by August 2014. In December 2014, Hangzhou Tuya Information Technology Co., Ltd. (“the WFOE”) was established after the incorporation of Tuya Inc. The Group then entered into a series of contractual arrangements among the WFOE, Hangzhou Tuya Technology and Hangzhou Tuya Technology’s shareholders in December 2014, and thereafter Hangzhou Tuya Technology (the “VIE”) became the variable interest entity of the Group. The VIE was controlled by Wang Xueji before and after this transaction. After the completion of this transaction, the Group’s consolidated financial statements include the financial statements of the Company, its subsidiaries and the consolidated VIE. In 2019, the VIE agreements were amended and restated, which amended the VIE’s shareholders list and equity interest of each shareholder as a result of the change in registered share capital of the VIE and exit of Non-Registered Shareholders VIE Investors as the VIE’s shareholders. All rights and obligations, clause, and terms regarding VIE accounting and consolidation basis remained the same. The VIE continues to be under Wang Xueji’s control during the periods presented.

As of December 31, 2019, 2020 and 2021, the Company's principal subsidiaries and consolidated VIE are as follows:

Name of subsidiaries	Date of incorporation	Place of incorporation	Registered capital	Percentage of direct or indirect ownership			Principal activities	Statutory auditors		
				December 31,				December 31,		
				2019	2020	2021		2019	2020	2021
Tuya (HK) Limited	September 12, 2014	Hong Kong, China	USD1.00	100%	100%	100%	Investment holding and business development	Confucius International CPA Limited	Sammi Y.S.Liu & Co.	Ng Ka Hong, Certified Public Accountant (Practising)
Hangzhou Tuya Information Technology Co., Ltd.	December 5, 2014	Hangzhou, China	USD300,000,000.00	100%	100%	100%	Sales of IoT PaaS, Smart devices, SaaS and Others and research and development	Pan-China Certified Public Accountants	Shanghai Shunda Accounting Firm Co., LTD	Shanghai Shunda Accounting Firm Co., LTD
Tuya Smart Inc.	July 19, 2019	Delaware, United States	-	100%	100%	100%	Business development	N/A	N/A	N/A
Tuya Global Inc.	July 22, 2015	California, United States	-	100%	100%	100%	Business development	N/A	N/A	N/A
Tuyasmart (India) Private Limited	January 31, 2019	Gurgaon, India	INR100,000,000.00	100%	100%	100%	Business development	Brahmayya & Co.	Brahmayya & Co.	(i)
Tuyasmart (Colombia) S.A.S	July 2, 2019	Medellin, Colombia	COP1,000,000.00	100%	100%	100%	Business development	N/A	N/A	N/A
Tuya GmbH	May 13, 2019	Hamburg, Germany	EUR25,000.00	100%	100%	100%	Business development	N/A	N/A	N/A
Tuya Japan Co., Ltd.	January 23, 2019	Tokyo, Japan	JPY100,000,000.00	100%	100%	100%	Business development	N/A	N/A	N/A
Zhejiang Tuya Smart Electronics Co., Ltd.	May 9, 2020	Hangzhou, China	USD60,000,000.00	-	100%	100%	Sales of Smart devices	N/A	Shanghai Shunda Accounting Firm Co., LTD	Shanghai Shunda Accounting Firm Co., LTD
Name of VIE	Date of incorporation	Place of incorporation	Registered capital	Economic interest held			Principal activities	Statutory auditors		
				December 31,				December 31,		
				2019	2020	2021		2019	2020	2021
Hangzhou Tuya Technology Co., Ltd.	June 16, 2014	Hangzhou, China	CNY10,000,000.00	100%	100%	100%	No substantial business	N/A	N/A	Shanghai Shunda Accounting Firm Co., LTD

Note (i): The statutory financial statements for the subsidiary is yet to be issued for the year ended December 31, 2021 as of June 22, 2022.

The VIE operated de minimis business activities and had no material impact on the Company's financial position, results of operations or cash flows for the years ended December 31, 2019, 2020 and 2021.

(c) COVID-19 impact and liquidity

For the years ended December 31, 2020 and 2021, the Group's financial performance was not significantly impacted by COVID -19. Though the duration of and the extent to which this pandemic impacts the Group's results will depend on future developments, which are highly uncertain and cannot be predicted at this time. Based on the assessment on the Group's liquidity and financial positions, the Group believes that its current cash and cash equivalents and short-term investments will be sufficient to enable it to meet its anticipated working capital requirements and capital expenditures for at least the next 12 months from the date the consolidated financial statements are issued.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of Preparation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principal accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Basis of Consolidation

The Group's consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIE for which the Company is the primary beneficiary. All transactions and balances among the Company, its subsidiaries, and the VIE have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly: (1) controls more than one half of the voting power; (2) has the power to appoint or remove the majority of the members of the board of directors; (3) casts a majority of votes at the meeting of the board of directors; or (4) governs the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

The Company applies the guidance codified in Accounting Standard Codification 810, Consolidations ("ASC 810") on accounting for the VIE, which requires certain variable interest entities to be consolidated by the primary beneficiary of the entity in which it has a controlling financial interest. A VIE is an entity with one or more of the following characteristics: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support; (b) as a group, the holders of the equity investment at risk lack the ability to make certain decisions, the obligation to absorb expected losses or the right to receive expected residual returns, or (c) an equity investor has voting rights that are disproportionate to its economic interest and substantially all of the entity's activities are on behalf of the investor.

(c) Use of Estimates

The preparation of the Group's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, long-lived assets and liabilities at the balance sheet date, and the reported revenues and expenses during the reporting periods in the consolidated financial statements and accompanying notes. Accounting estimates reflected in the Group's consolidated financial statements include, but are not limited to reserve for excess and obsolete inventories, valuation allowance for deferred tax assets, stand-alone selling prices (SSP) for each distinct performance obligation, the valuation of ordinary shares and share-based compensation. Estimates are based on historical experiences and on various assumptions that the Group believes are reasonable under current circumstances. As of December 31, 2019, 2020 and 2021, the Group considered the economic implications of the COVID-19 on its significant judgments and estimates. Given that changes in circumstances, facts and experience may cause the Group to revise its estimates, actual results could differ materially from those estimates.

(d) Functional Currency and Foreign Currency Translation

The Group uses United States dollar as its reporting currency. The functional currency of the Company and its subsidiaries incorporated in Cayman Islands and Hong Kong is United States dollar, while the functional currency of the Group's other subsidiaries and VIE is their respective local currency as determined based on the criteria of ASC 830, *Foreign Currency Matters*.

Transactions denominated in other than the functional currencies are re-measured into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Financial assets and liabilities denominated in other than the functional currency are re-measured at the balance sheet date exchange rate. The resulting exchange differences are included in the consolidated statements of comprehensive loss as foreign exchange related gains or loss.

The financial statements of the Group's entities using functional currency other than US\$ are translated from the functional currency to the reporting currency, US\$. Assets and liabilities of the Group's subsidiaries incorporated in PRC are translated into US\$ at fiscal year-end exchange rates, while income and expense items are translated at average exchange rates prevailing during each period presented, representing the index rates stipulated by the People's Bank of China. Translation adjustments arising from these are reported as foreign currency translation adjustments and are shown as a separate component of shareholders' equity on the consolidated financial statements.

(e) Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The established fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value include:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Observable, market-based inputs, other than quoted prices, in active markets for identical assets or liabilities.
- Level 3: Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Accounting guidance also describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial assets and liabilities of the Group mainly consist of cash and cash equivalents, restricted cash, short-term investments, account receivables, notes receivable, certain other current assets, long-term investments, trade payables and certain accruals and other liabilities. As of December 31, 2019, except for short-term investments, the carrying values of these financial instruments approximated their fair values due to their short-term maturity. As of December 31, 2020, except for short-term investments and equity securities with readily determinable fair value included in long-term investments, the carrying values of these financial instruments approximated their fair values due to their short-term maturity. As of December 31, 2021, except for short-term investments, debt securities and equity securities with readily determinable fair value included in long-term investments, the carrying values of these financial instruments approximated their fair values due to their short-term maturity. The Group reports equity securities with readily determinable fair value included in short-term investments at fair value and discloses the fair value of these investments based on level 1 measurement. The Group reports time deposits and wealth management products included in short-term investments and the derivative instruments included in prepayment and other current asset at fair value, and discloses their fair value based on level 2 measurement. The Group reports equity securities with readily determinable fair value included in long-term investments at fair value and discloses the fair value of these investments based on level 2 measurement. The Group reports investment in available-for-sale debt securities included in long-term investments at fair value and discloses the fair value of these investments based on level 3 measurement.

The following table sets forth the Group's assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

Description	Fair value as of December 31, 2019	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	US\$	US\$	US\$	US\$
Assets:				
Short-term investments	16,663	–	16,663	–

Description	Fair value as of December 31, 2020	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	US\$	US\$	US\$	US\$
Assets:				
Short-term investments	20,976	–	20,976	–
Long-term investments	564	–	564	–
	21,540	–	21,540	–

Description	Fair value as of December 31, 2021	Fair value measurement at reporting date using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	US\$	US\$	US\$	US\$
Assets:				
Short-term investments	102,134	4,624	97,510	–
Derivative instruments	74	–	74	–
Long-term investments	26,078	–	495	25,583
	128,286	4,624	98,079	25,583

The roll forward of major Level 3 investments are as follows:

	US\$
Fair value of Level 3 investments as of December 31, 2020	–
New addition	25,226
The change in fair value of the investments	357
Fair value of Level 3 investments as of December 31, 2021	25,583

Management determined the fair value of these Level 3 investments based on market approach using various unobservable inputs. The determination of the fair value required significant judgement by management with respect to the assumptions and estimates for the lack of marketability discounts, expected volatility and probability in equity allocation. The significant unobservable inputs adopted in the valuation as of December 31, 2021 are as follows:

Unobservable Inputs

Expected volatility	37%-69%
Probability	Liquidation scenario: 40%
	Redemption scenario: 40%
	IPO scenario: 20%

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash in bank and time deposits placed with banks or other financial institutions which have original maturities of three months or less at the time of purchase and are readily convertible to known amounts of cash.

(g) Restricted Cash

Restricted cash represents cash that cannot be withdrawn without the permission of third parties. The Group's restricted cash is substantially cash balance on deposit required by its business partners and commercial banks. Restricted cash for the year ended December 31, 2019 was related to one deposit of letter of guarantee, and was released from the restriction during 2020. The restricted cash balance for the year ended December 31, 2020 was related to cash preservation for an ongoing dispute between the Company and one of its customers in associated with smart devices sold to this customer. It was released from the restriction in February 2021 due to the alignment reached under the dispute between the Company and the customer. The restricted cash balance for the year ended December 31, 2021 was related to deposits for foreign currency forward contracts, and were subsequently released from the restriction in January 2022.

(h) Short-term Investments

Short-term investments are comprised of i) time deposits placed with banks with original maturities longer than three months but less than one year, ii) structured deposits and wealth management products issued by banks which contains fixed or variable interest with original maturities within one year, and iii) equity securities with readily determinable fair value which the Group has intention to sell within one year. The time deposits and wealth management products are generally not permitted to be redeemed early or are subject to penalties for redemption prior to maturities. These investments are stated at fair value. Changes in the fair value are reflected in financial income, net in the consolidated statements of comprehensive loss.

(i) Accounts Receivable, net

Accounts receivables are presented net of allowance for doubtful accounts. The Group maintains an allowance for doubtful accounts which reflects its best estimate of amounts that potentially will not be collected. The Group determines the allowance for doubtful accounts by taking into consideration various factors including but not limited to historical collection experience and creditworthiness of the customers. Accounts receivable balances are written off after all collection efforts have been exhausted.

Notes receivable are primarily bank acceptance notes. The Group accepts bank acceptance notes from customers for products sold or services performed in the ordinary course of business. Bank acceptance notes are negotiable instruments with cash settlement from commercial banks within 6 months. Upon receipt of the bank acceptance notes, the Group's accounts receivable from the customer is derecognized. The bank acceptance notes can also be endorsed to suppliers as settlement of accounts payable. Bank acceptance notes of US\$12.4 million, US\$1.4 million, and nil were endorsed to suppliers for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2019, 2020 and 2021, the endorsed bank acceptance notes but yet due were US\$3,570, nil and nil, respectively. The Group sells bank acceptance notes to financial institutions without recourse in the normal course of business through factoring arrangements. These bank acceptance notes transferred without recourse were nil, nil and US\$13,814 for the years ended December 31, 2019, 2020 and 2021 respectively, and were derecognized.

(j) Inventories, net

Inventories are comprised of finished goods, work in process, raw materials and low value consumables and spare parts. Inventories are stated at the lower of cost and net realizable value. Cost of inventory is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving and obsolete inventories, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased.

(k) Operating Lease

The Group adopted ASC 842, Leases, on January 1, 2019 on modified retrospective basis. The Group determines if an arrangement is a lease at inception. Operating leases are primarily for office and warehouse and are included in operating lease right-of-use assets, net, operating lease liabilities, current and operating lease liabilities, non-current on its consolidated balance sheets. Operating lease right-of-use assets represent the Group's right to use an underlying asset for the lease term and operating lease liabilities represent obligation to make lease payment arising from the lease. The operating lease right-of-use assets and liabilities are recognized at lease commencement date based on the present value of lease payment over the lease term. As most of the Group's leases do not provide an implicit rate, the Group uses its incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. The operating lease right-of-use assets also includes any lease payments made and excludes lease incentives. The Group's lease term may include options to extend or terminate the lease. Renewal options are considered within the operating lease right-of-use assets and liabilities when it is reasonably certain that the Group will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For operating lease with a term of one year or less, the Group has elected not to recognize a lease liability or lease right of use asset on its consolidated balance sheets. Instead, it recognizes the lease payment as expense on a straight-line basis over the lease term. Short-term lease costs are immaterial to its consolidated statements of comprehensive loss. The Group has operating lease agreements with insignificant non-lease components and have elected the practical expedient to combine and account for lease and non-lease components as single lease component.

(l) Internal-Use Software Development Costs

The Group recognizes its internal-use software development costs related to its IoT cloud platform functions, including related website, software and mobile applications in accordance with ASC 350-50 "Website development costs" and ASC 350-40 "Internal-use software". Costs related to preliminary project activities and post-implementation operating activities are expensed as incurred. Cost capitalized for developing IoT cloud platform functions were not material for the periods presented.

(m) Property, Equipment and Software

Property, equipment and software are stated at historical cost less accumulated depreciation, amortization and impairment loss, if any. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives, taking into account any estimated residual value:

Leasehold improvements	the shorter of their useful lives and the lease terms
Computers and electronic equipment	3 years
Office equipment	3 years
Software	3 years

Repairs and maintenance costs are charged to expenses as incurred, whereas the costs of renewals and improvements that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. The Group recognized the gain or loss on the disposal of property, equipment and software in the consolidated statements of comprehensive loss.

Construction in progress represents assets under construction. Construction in progress is transferred to property, equipment and software and depreciation or amortization commences when an asset is ready for its intended use.

(n) Long-term Investments

Long-term investments represent the Group's equity security investments and debt security investments in the periods presented. Equity securities without readily determinable fair values are measured and recorded using a measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. Equity securities with readily determinable fair values are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded in financial income, net in the consolidated statements of comprehensive loss. Debt security investments that have readily determinable fair value, are accounted for as available-for-sale security investments and are recognized based on trade date and carried at estimated fair value with the aggregate unrealized gains and losses related to these investments, net of taxes, reported through other comprehensive income in the consolidated statements of comprehensive loss.

(o) Impairment of Long-lived Assets

For other long-lived assets including property, equipment and software and other non-current assets, the Group evaluates for impairment whenever events or changes (triggering events) indicate that the carrying amount of an asset may no longer be recoverable. The Group assesses the recoverability of the long-lived assets by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to receive from use of the assets and their eventual disposition. Such assets are considered to be impaired if the sum of the expected undiscounted cash flows is less than the carrying amount of the assets. The impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges were recognized for the years ended December 31, 2019, 2020 and 2021.

(p) Mezzanine Equity

Mezzanine equity represents the Series A, Series A-1, Series B, Series C and Series D convertible preferred shares (collectively, the "Preferred Shares") issued by the Company. Preferred Shares are contingently redeemable upon the occurrence of an event that is outside of the Company's control. Therefore, the Group classifies the Preferred Shares as mezzanine equity. See Note 17 – Convertible Preferred Shares.

(q) Value Added Taxes

The Group's subsidiaries and VIE in the PRC are subject to value-added taxes ("VAT") on its products and services, less any deductible VAT the Group has already paid or borne. They are also subject to surcharges on VAT payments in accordance with PRC law. VAT is not included in the revenue recognized for the Group.

The Company's two subsidiaries, Hangzhou Tuya Information Technology Co., Ltd. and Zhejiang Tuya Smart Electronics Co., Ltd. obtained their software copy certificate in July and December 2020, respectively, and are eligible for the VAT refund-upon-collection policy, which entitles Hangzhou Tuya Information Technology Co., Ltd. and Zhejiang Tuya Smart Electronics Co., Ltd. to receive relevant refund for the part VAT in excess of 3% of its actual tax burden upon completion of relevant VAT refund filling process. The VAT refund received is recorded in other operating (expenses)/incomes, net in the consolidated statements of comprehensive loss. For the years ended December 31, 2019, 2020 and 2021, VAT refund received by the Company was nil, US\$303 and US\$8,919, respectively.

(r) Revenue Recognition

The Group accounts for revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue From Contracts With Customers (ASC 606) for all periods presented. According to ASC 606, revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. The Group determines revenue recognition through the following steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Revenue arrangements with multiple performance obligations are divided into separate distinct goods or services. The Group allocates the transaction price to each performance obligation based on the relative standalone selling price of the goods or services provided.

Revenue is recorded net of value-added tax.

The Group's revenue was disaggregated by its major revenue streams in the years presented as follows:

	Year Ended December 31,		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
IoT PaaS	76,365	151,677	261,360
Smart device distribution	27,474	22,071	22,153
SaaS and others	1,950	6,126	18,563
Total revenue	<u>105,789</u>	<u>179,874</u>	<u>302,076</u>

I. Revenue from IoT PaaS

IoT PaaS combines cloud-based connectivity and basic IoT services, edge capabilities (embedded in modules), app development, and device optimization solutions. The Company determined there are two distinct performance obligations in the delivery of IoT PaaS products including: (1) IoT PaaS products with edge capabilities, app development and device optimization solutions; and (2) cloud-based connectivity and basic IoT services provided to customers and end consumers. The Group allocates the transaction price to each performance obligation based on their relative standalone selling price. The standalone selling price for IoT PaaS products is estimated based on the competitor's pricing for similar products in the market, adjusted for entity-specific factors. As the standalone selling price of the cloud-based connectivity and basic IoT services is not directly observable, it is estimated by the Group by using an expected cost plus a margin approach. Key areas of judgment include the selection of relevant cloud and other costs necessary to satisfy the performance obligation and estimated profit margins. For the delivery of IoT PaaS product, revenue is recognized when IoT PaaS products are accepted by customers, which is the point that control of the product is transferred to the customers. A receivable is recognized when the IoT PaaS products are delivered and accepted by customers as this is the point in time that the consideration is unconditional. For cloud-based connectivity and basic IoT services, revenue is deferred and subsequently recognized from the end consumer's activation to the end of the estimated IoT PaaS product's life cycle on a straight-line basis. Based on the Group's historical information, activation occurs, on average, an estimated 6 months after the IoT PaaS products are delivered to customers. The length of life cycle of the IoT PaaS products is estimated based on the historical data in previous years and by referencing the life cycle of different smart devices (e.g. lighting, security and monitoring devices) which ranged from 1.5 to 2 years.

Return allowances for IoT PaaS products are estimated based on historical experiences and accounted for as reduction of net revenue.

The Group provides sales rebates to its customers from time to time, which is accounted for as reduction of net revenue.

The Group started a membership program (the “2019 Membership Program”) in the fourth quarter of 2019. In the 2019 Membership Program, customers pay a fixed fee in exchange for IoT PaaS discount, VIP technical support, valued added services (“VAS” i.e., customized app development), and free participation in promotional activities. The promise to provide for technical support related services, the promotion related services and VAS are considered immaterial promises in the contract and are not considered distinct performance obligations. The membership fee is refundable if the volume requirements are met when the membership period ends. The Group historically generally refunds the membership fees even if the volume requirements are not met. Therefore, the Group does not expect being able to keep any of the membership fees and such fees are recorded as a refund liability under the 2019 Membership Program.

The Group launched a new membership program (the “2020 Membership Program”) in the fourth quarter of 2020 and no longer offered 2019 Membership Program ever since. In the 2020 Membership Program, customers pay a non-refundable fixed fee in exchange for member-exclusive IoT PaaS discounts within the membership period of typically 12 months. The Group records the upfront fixed membership fee as a deferred revenue and recognizes revenue on a straight-line basis typically over the 12-month membership period in which customers entitle to the membership.

II. Revenue from smart device distribution

In certain circumstances, the Group offers select brands, primarily customers who prefer not to deal with multiple OEMs, an option to purchase directly from the Group finished smart devices where IoT PaaS is deployed. After the brands place purchase orders directly with the Group, the Group then sources the appropriate smart devices from OEMs based on the type of devices, hardware specifications and other metrics. The Group determines that there are two distinct performance obligations for its smart device distribution including the (1) smart devices embedded with IoT PaaS; and (2) cloud-based connectivity and basic IoT services. The transaction price allocation and revenue recognition are the same as the revenue from IoT PaaS.

The Group presents the revenue generated from its smart device distribution on a gross basis as the Group has control of the smart devices before they are transferred to the brand customers. In making this determination, the Group concludes it meets the principles of control and that it is the primary obligor to the brand customers, are subject to inventory risk and have latitude in establishing prices.

III. Revenue from SaaS and others

SaaS and other revenue mainly include industry SaaS, customized software development and configuration, and other VAS to both business customers and the end consumers.

Industry SaaS is a vertical-focused software solution that enables businesses to easily and securely deploy, connect, and manage large numbers of smart devices for which the Group generally charges an annual subscription fee. These services include software authorization and standard SaaS platform maintenances and technical support.

Customized software development and configuration mainly relate to contracts for the specific IT needs of the brands. The contracts generally include fixed milestone payments determined based on expected labor hours to complete the milestone.

VAS primarily includes complementary services that are provided to brands and OEMs such as app launch, AI-powered virtual voice assistants, and data analytics and others. Such arrangements with the customers are short term and the performance obligations are satisfied at one point of time. VAS also include cloud-based services for the end customers such as IoT data storage, push messaging, object detection and digital content.

There are different kinds of contracts included in the SaaS and others, and each contract may contain multiple elements. The Group identifies the distinct performance obligations and allocates transaction price to each distinct performance obligation based on relative estimated standalone selling price. Revenue is recognized when the performance obligations are satisfied, which is either over the period of time in which the Group performs these services or at one point of time.

Remaining performance obligations

The remaining performance obligations primarily relate to the Group's provision of i) cloud-based connectivity and basic IoT services; ii) membership services; and iii) SaaS and others, and all three of them are included in deferred revenue.

The amounts allocated to the cloud-based connectivity and basic IoT services are deferred and recognized on a straight-line basis over the estimated IoT PaaS product's life cycle. The Group apportions deferred revenue between current and non-current based upon cloud-based connectivity and basic IoT services to be provided over the life cycle of smart devices. Deferred revenue relating to the Group's cloud services that have an expiration date of less than 12 months are classified as current, otherwise non-current.

Starting from the fourth quarter of 2020, there are i) upfront fixed membership fee received and recorded as part of the deferred revenue, it is recognized as revenue on a straight-line basis typically over the 12-month membership period in which customers are entitled to the membership; and ii) amounts related to providing industry SaaS (included in SaaS and others), in general, the Company charges annual subscription fee, which is deferred and recognized on a straight-line basis typically over the 12-month service period.

As of December 31, 2019, 2020 and 2021, the aggregate amount of transaction price allocated to the remaining performance obligations was US\$777, US\$4,175 and US\$10,113, respectively, of which US\$516, US\$3,468 and US\$9,254 were recorded in current deferred revenue while US\$261, US\$707 and US\$859 were recorded in non-current deferred revenue, respectively.

The Group's contract liability, including both deferred revenue and the advance from customers, is US\$14,828, US\$31,253 and US\$41,201 as of December 31, 2019, 2020 and 2021, respectively.

The Group applies the practical expedient to omit disclosure of information about the transaction price allocated to remaining performance obligations and when revenue will be recognized, for the related contract has a duration of one year or less. The remaining amounts recorded in non-current deferred revenue of US\$261, US\$707 and US\$859 as of December 31, 2019, 2020 and 2021, respectively, would likely be recognized within 18 to 36 months.

The Group provides warranty for IoT PaaS and smart device distribution mainly for one year. The Group accrues a warranty reserve for all IoT PaaS and smart device distribution, which include the Group's best estimate of the projected costs to repair or replace items under warranties. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve when the Group accumulates more actual data and experience in the future. The warranty reserve expected to be incurred is included within accruals and other liabilities in the consolidated balance sheets.

(s) Advance from Customers

Amounts recorded in the advance from customers account represent cash payments made upfront by the Group's customers under each sales contract. These amounts are not yet reclassified to deferred revenue account is because the Group has not started to fulfil any of its performance obligations identified under the contract at the time. The amounts in the advance from customers are reclassified to either revenue or deferred revenue when the Group commences fulfillment of its performance obligation, depending on whether respective revenue is to be recognized at one point of time or over the period of time. If the Group fulfils its performance obligation at one point of time, the related amount in the advance from customers will be reclassified and recognized as revenue; whereas for the performance obligation that the Group starts to provide over the period of time, the amount in the advance from customers will be reclassified to deferred revenue.

(t) Cost of Revenues

Cost of revenue consists primarily of purchase price of materials, manufacturing charges from outsourced factories, estimated warranty costs, inventories write-downs, payroll cost of production support personnel and third-party cloud infrastructure expenses that are directly attributable to the sales of products or services rendered. Inbound shipping charges to receive raw materials from suppliers are included in the inventories and recognized as cost of revenues upon sale of products and render of services.

(u) Research and Development Expenses

Research and development expenses consist primarily of payroll cost including share-based compensation expenses for research and development personnel, third-party cloud infrastructure expenses incurred for research and development purposes, rental expenses and depreciation and other expenses in associated with research and development functions. The Group accounts for internal use software development costs in accordance with guidance on intangible assets and internal use software. See Note 2(l) – Internal-Use Software Development Costs.

(v) Sales and Marketing Expenses

Sales and marketing expenses consist primarily of payroll cost including share-based compensation expenses for sales and marketing personnel, promotion and marketing expenses, rental expenses and depreciation and other expenses in associated with sales and marketing functions. Advertising expenses consist primarily of costs for the promotion of the Group's corporate image and product marketing. The Group expenses all advertising costs as incurred and classifies these costs under sales and marketing expenses. For the years ended December 31, 2019, 2020 and 2021, advertising and marketing costs totaled US\$10,374, US\$6,300 and US\$13,637, respectively.

(w) General and Administrative Expenses

General and administrative expenses consist primarily of payroll cost including share-based compensation expenses for corporate personnel, general office expenses, rental expenses and depreciation and other expenses in associated with general and administrative functions.

(x) Government Grants

Government grants are recognized as other operating (expenses)/incomes, net, or as a reduction of specific costs and expenses for which the grants are intended to compensate. Such amounts are recognized in the consolidated statements of comprehensive loss upon receipts as all conditions attached to the grants are fulfilled. Government grants included as other operating (expenses)/incomes, net in the consolidated statements of comprehensive loss amounted to US\$102, US\$1,299 and US\$10,423 for the years ended December 31, 2019, 2020 and 2021, respectively.

(y) Employee Social Security and Welfare Benefits

Employees of the Group in the PRC are entitled to staff welfare benefits including pension, work-related injury benefits, maternity insurance, medical insurance, unemployment benefit and housing fund plans through a PRC government-mandated multi-employer defined contribution plan. The Group is required to contribute to the plan based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government.

The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed and no legal obligation beyond the contributions made. Employee social security and welfare benefits included as expenses in the consolidated statements of comprehensive loss amounted to US\$13,091, US\$14,715 and US\$42,944 for the years ended December 31, 2019, 2020 and 2021, respectively.

(z) Income Taxes

Current income taxes are recorded in accordance with the regulations of the relevant tax jurisdiction. The Group accounts for income taxes under the asset and liability method in accordance with ASC 740, Income Tax. Under this method, deferred tax assets and liabilities are recognized for the tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax basis, and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statements of comprehensive loss in the period of change. Valuation allowances are established when necessary to reduce the amount of deferred tax assets if it is considered more likely than not that amount of the deferred tax assets will not be realized.

The Group considers positive and negative evidence when determining whether a portion or all of its deferred tax assets will more likely than not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, its experience with tax attributes expiring unused, and its tax planning strategies. The ultimate realization

of deferred tax assets is dependent upon its ability to generate sufficient future taxable income within the carry-forward periods provided for in the tax law and during the periods in which the temporary differences become deductible. When assessing the realization of deferred tax assets, the Group has considered possible sources of taxable income including (i) future reversals of existing taxable temporary differences, (ii) future taxable income exclusive of reversing temporary differences and carry-forwards, (iii) future taxable income arising from implementing tax planning strategies, and (iv) specific known trend of profits expected to be reflected within the industry.

The Group's tax positions are subject to income tax audits by multiple tax jurisdictions throughout the world. The Group recognizes a tax benefit associated with an uncertain tax position when, in its judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, the Group initially and subsequently measures the tax benefit as the largest amount that the Group judges to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. The Group's liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. The Group's effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management. The Group classifies interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense. For the years ended December 31, 2019, 2020 and 2021, there were no uncertain tax position liabilities.

(aa) Share-based Compensation

The Company grants restricted shares to the Registered Shareholders (also as key member of management) share options and Restricted Share Units ("RSUs") of the Company to eligible employees and non-employees. The Company accounts for these share-based awards in accordance with ASC 718 Compensation – Stock Compensation.

The Registered Shareholders and employees' share-based awards are measured at the grant date fair value of the awards and recognized as expenses using a straight-line method over the requisite service period, which is the vesting period. For share-based awards granted with only service conditions to its PRC employees, the Group allows accelerated full vesting upon occurrence of a Change in Control (including defined in the Group's Equity Incentive Plan), cumulative share-based compensation expenses for the share-based awards should be recorded upon the completion of the Change in Control.

For non-employees' share-based awards, the Group adopted ASU 2018-07 "Improvements to Non-employee Share-Based Payment Accounting" for the periods presented. In accordance with ASU 2018-07, it clarifies that equity-classified non-employees share-based awards are measured at the grant date. The definition of the term grant date is amended to generally state the date at which a grantor and a grantee reach a mutual understanding of the key terms and conditions of a share-based payment award. Non-employee share-based awards are measured at the grant date fair value of the awards and recognized as expenses using a straight-line method over the requisite service period, which is the vesting period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

The binomial option-pricing model is used to measure the value of share options. The determination of the fair value is affected by the fair value of the ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected share price volatility, actual and projected employee and non-employee share option exercise behavior, risk-free interest rates and expected dividend yield. Binomial option-pricing model incorporates the assumptions about grantees' future exercise patterns. The fair value of these awards was determined by management with the assistance from an independent valuation firm using management's estimates and assumptions.

The assumptions used in share-based compensation expense recognition represent management's best estimates, but these estimates involve inherent uncertainties and application of management judgment. If factors change or different assumptions are used, the share-based compensation expenses could be materially different for any period. Moreover, the estimates of fair value of the awards are not intended to predict actual future events or the value that ultimately will be realized by grantees who receive share-based awards. In accordance with ASU 2016-09, the Group made an entity-wide accounting policy election to account for forfeitures when they occur.

(ab) Treasury stocks

Treasury stocks are accounted for using the cost method. Under this method, the cost incurred to purchase the shares is recorded in the treasury stocks account on the consolidated balance sheets. When the Company reissues treasury stock at an amount greater or less than it paid to repurchase the shares, the realized gain or loss is recognized in the consolidated statements of changes in shareholders' (deficit)/equity.

(ac) Loss per Share

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, the net loss is allocated between ordinary shares and other participating securities based on their participating rights. Net loss is not allocated to other participating securities if based on their contractual terms they are not obligated to share in the loss.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalents shares outstanding during the year. Dilutive equivalent shares are excluded from the computation of diluted loss per share if their effects would be anti-dilutive. Ordinary share equivalents consist of the ordinary shares issuable in connection with the Group's ordinary shares issuable upon the conversion of the share-based awards, using the treasury stock method.

(ad) Comprehensive Loss

Comprehensive loss is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments from shareholders and distributions to shareholders. Comprehensive loss for the periods presented includes net loss and foreign currency translation adjustments.

(ae) Segment Reporting

Operating segments are defined as components of an enterprise engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group's chief operating decision maker in deciding how to allocate resources and assess performance. The Group's chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including revenue, gross profit and operating profit at a consolidated level only. The Group does not distinguish between markets for the purpose of making decisions about resources allocation and performance assessment. As the Group's long-lived assets are substantially located in the PRC and substantially all the Group's revenue are derived from within the PRC, no geographical segments are presented. Hence, the Group has only one operating segment and one reportable segment.

(af) Recently Issued Accounting Pronouncements

The Group qualifies as an "emerging growth company", or EGC, pursuant to the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. As an EGC, the Group does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. The Group adopts the following standards based on extended transition period provided to private companies or early adopts as necessary as permitted by the respective standards.

New and Amended Standards Adopted by the Group

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires that a lessee should recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expenses for such lease generally on a straight-line basis over the lease term. The new leases standard also provides lessees with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component. If a lessee makes that accounting policy election, it is required to account for the non-lease components together with the associated lease component as a single lease component and to provide certain disclosures. Lessors are not afforded a similar practical expedient. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods

within those fiscal years for public entities. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments in this Update is permitted for all entities. Entities are required to adopt the new leases standard using a modified retrospective transition method. Under that transition method, an entity initially applies the new leases standard (subject to specific transition requirements and optional practical expedients) at the beginning of the earliest period presented in the financial statements. The Company adopted this new guidance from the year ended December 31, 2019. In July 2018, the FASB issued ASU 2018-11, which provides another transition method in addition to the existing transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption consistent with preparers' requests. This ASU also addresses stakeholders' concerns about the requirement for lessors to separate components of a contract by providing lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component, similar to the expedient provided for lessees. However, the lessor practical expedient is limited to circumstances in which the non-lease component or components otherwise would be accounted for under the new revenue guidance and both (1) the timing and pattern of transfer are the same for the non-lease component(s) and associated lease component and (2) the lease component, if accounted for separately, would be classified as an operating lease. The Group elected to early adopt ASC 842, Leases, on January 1, 2019 on modified retrospective basis and has elected not to recast comparative periods. Upon the adoption of the new lease standard, on January 1, 2019, the Group recognized operating lease assets of US\$2,775 and total operating lease liabilities of US\$2,762 (including current liabilities of US\$1,230) on the consolidated balance sheets. There was no impact to accumulated deficit at adoption.

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718)-Improvements to Non-employee Share-Based Payment Accounting, to align the accounting for share-based payment awards issued to non-employees with the guidance applicable to grants to employees and remove requirement to reassess classification of non-employee awards under other literature upon vesting. ASU 2018-07 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted but no earlier than the entity's adoption of ASC 606. The Company adopted ASU 2018-07 on January 1, 2019. Based on ASU 2018-07, entities will generally apply the same guidance to both employee and non-employee share-based awards, which non-employee share-based payment equity awards are measured at the grant-date fair value of the equity instruments, similar to employee share-based payment equity awards. The impact of the adoption is not material.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. The Company adopted ASU 2018-13 on January 1, 2019. The impact of the adoption is not material.

In December 2019, the FASB issued ASU 2019-12, Simplifying the Accounting for Income Taxes, as part of its initiative to reduce complexity in accounting standards. The amendments in the ASU are effective for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Group adopted the ASU prospectively on January 1, 2021. The impact of the adoption is not material.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract, which align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). Accordingly, ASU 2018-15 requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 Internal-use software to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. Costs for implementation activities in the application development stage are capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post-implementation stages are expensed as the activities are performed. ASU 2018-15 also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The entity also is required to apply the existing impairment guidance in Subtopic 350-40 to the capitalized implementation costs as if the costs were long-lived assets. ASU 2018-15 also require the entity to present the expense related to the capitalized implementation costs in the same line item in the statement of income as the fees associated with the

hosting element (service) of the arrangement and classify payments for capitalized implementation costs in the statement of cash flows in the same manner as payments made for fees associated with the hosting element. The entity is also required to present the capitalized implementation costs in the statement of financial position in the same line item that a prepayment for the fees of the associated hosting arrangement would be presented. ASU 2018-15 also require the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. The amendments in the ASU are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption of the amendments in this Update is permitted, including adoption in any interim period, for all entities. The amendments in the ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Group adopted the ASU prospectively on January 1, 2021. The impact of the adoption is not material.

New and Amended Standards not yet Adopted by the Group

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), to provide financial statement users with more useful information about expected credit losses. ASU 2016-13 also changes how entities measure credit losses on financial instruments and the timing of when such losses are recorded. ASU 2016-13 is effective for fiscal years and interim periods within those years beginning after December 15, 2022 for the Group, with early adoption permitted. The FASB further issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, ASU 2019-05, Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief, ASU 2019-10, Financial Instruments-Credit Losses (Topic 326): Effective Dates, and ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments-Credit Losses. The amendments in these ASUs provide clarifications to ASU 2016-13. The ASUs are currently not expected to have a material impact on the Group's consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01 Investments-Equity securities (Topic 321), Investments-Equity method and joint ventures (Topic 323), and Derivatives and hedging (Topic 815)-Clarifying the interactions between Topic 321, Topic 323, and Topic 815. The amendments clarified that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarified that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. ASU 2020-01 is effective for fiscal years and interim periods beginning after December 15, 2021 for the Group. Early adoption is permitted. The ASU is currently not expected to have a material impact on the Group's consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, Disclosures by Business Entities about Government Assistance (Topic 832). The amendment requires a business entity to provide certain disclosures when it has entered into a legally enforceable agreement with a government to receive value, and accounts for the transaction using a grant or contribution accounting model by analogy. ASU 2021-10 is effective for fiscal years beginning after December 15, 2021 for all business entities. The ASU is currently not expected to have a material impact on the Group's consolidated financial statements.

3. RISKS AND CONCENTRATION

(a) Concentration of Credit Risk

Financial instruments that potentially subject the Group to concentration of credit risk consist of cash and cash equivalents, short-term investments, accounts receivable and notes receivable.

The Group deposits its cash and cash equivalents and short-term investments with major financial institutions which the Group believes that no significant credit risk with high credit quality.

The Group has not experienced any significant recoverability issue with respect to its accounts receivable. The Group assesses the creditworthiness of each customer when providing services and may require the customers to make advance payments or a deposit before the services are rendered.

The following table summarizes customers with greater than 10% of the accounts receivable:

	As of December 31,		
	2019	2020	2021
Customer A	*	*	19%
Customer B	24%	19%	*
Customer C	12%	*	*

* Less than 10%

(b) Concentration of Customers and Suppliers

There are no customers from whom revenues individually represent greater than 10% of the total revenues of the Group in any of the periods presented.

Suppliers contributed more than 10% of total purchases are as below:

	Year ended December 31,		
	2019	2020	2021
Supplier A	29%	*	*
Supplier B	*	13%	25%

* Less than 10%

4. SHORT-TERM INVESTMENT

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Wealth management products (1)	16,663	—	—
Time deposits	—	20,976	97,510
Equity securities with readily determinable fair value (2)	—	—	4,624
Total short-term investments	16,663	20,976	102,134

- As of December 31, 2019, the Group's wealth management products mainly consisted of financial products issued by commercial banks in China with a variable interest rate indexed to the performance of underlying assets and a maturity date within one year when purchased or revolving terms. For the years ended December 31, 2019, 2020 and 2021, the weighted average return of the wealth management products was 3.2%, 2.9%, 2.7%, respectively.
- Starting from July 2021, the Group, from time to time, invested in ordinary shares of a listed company and disposed of portion of the investments. In the year ended December 31, 2021, the Group recorded unrealized investment loss in fair value of US\$1,998 and realized investment income of US\$422 upon disposal in financial income, net in the consolidated statements of comprehensive loss. This investment is classified as equity securities with readily determinable fair values.

5. ACCOUNTS RECEIVABLE, NET

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Accounts receivable, gross	5,731	12,904	34,345
Less: allowance for doubtful accounts	(380)	(588)	(1,644)
Total accounts receivable, net	<u>5,351</u>	<u>12,316</u>	<u>32,701</u>

The Group recorded the allowance for doubtful accounts of US\$366, US\$278, US\$1,030 for the years ended December 31, 2019, 2020 and 2021, respectively.

An aging analysis based on relevant invoice dates is as follows:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
0-3 months	4,077	10,806	29,962
3-6 months	716	1,196	1,279
6-12 months	456	314	1,444
Over 1 year	482	588	1,660
Total accounts receivable, gross	<u>5,731</u>	<u>12,904</u>	<u>34,345</u>

6. INVENTORIES, NET

Inventories consist of the following:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Raw materials	14,686	29,472	55,845
Work in process	2,795	3,513	3,359
Finished goods	5,805	10,043	5,958
Low value consumables and spare parts	21	117	145
Less: inventory write-downs	(288)	(878)	(2,725)
Total inventories, net	<u>23,019</u>	<u>42,267</u>	<u>62,582</u>

The Group recorded inventory write-downs of US\$291, US\$539, and US\$1,806 for the years ended December 31, 2019, 2020 and 2021, respectively.

7. PREPAYMENTS AND OTHER ASSETS

The current and non-current portions of prepayments and other assets consist of the following:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Prepayments and other current assets			
Advance to suppliers	6,505	3,882	12,529
Prepayment for share repurchase (1)	–	–	10,355
Deferred dual primary listing related costs	–	–	3,049
Rental deposits	146	136	438
VAT recoverable (2)	699	92	621
Receivables from third party payment platforms	525	256	175
Interest receivable	120	–	123
Others	13	27	592
Total prepayments and other current assets	<u>8,008</u>	<u>4,393</u>	<u>27,882</u>
Other non-current assets			
Rental deposits	769	1,547	1,818
Deferred initial public offering related costs	–	182	–
Total other non-current assets	<u>769</u>	<u>1,729</u>	<u>1,818</u>

- (1) As of December 31, 2021, prepayment for share repurchase represented the advanced payment by the Group to a bank engaged by the Group for the Share Repurchase Program (Note 16).
- (2) VAT recoverable represented the balances that the Group can utilize to deduct its VAT liabilities within the next 12 months.

8. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software consist of the following:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Cost:			
Leasehold improvements	851	1,633	3,092
Computers and electronic equipment	2,500	4,918	8,539
Office equipment	241	299	437
Software	67	362	612
Construction in progress	256	66	–
Total cost	<u>3,915</u>	<u>7,278</u>	<u>12,680</u>
Less: Accumulated depreciation and amortization	<u>(1,075)</u>	<u>(2,904)</u>	<u>(5,875)</u>
Total property, equipment and software, net	<u>2,840</u>	<u>4,374</u>	<u>6,805</u>

Depreciation expense was US\$758, US\$1,662, and US\$3,369 for the years ended December 31, 2019, 2020 and 2021, respectively.

As of December 31, 2019, 2020 and 2021, the balances of construction in progress were US\$256, US\$66 and nil, respectively, which were primarily related to the leasehold improvements of office buildings.

9. LONG-TERM INVESTMENT

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Investments in available-for-sale debt securities (1)	–	–	25,583
Investment in an equity security with readily determinable fair values	–	564	495
Investments in equity securities accounted for under alternative measurement	430	356	–
Total long-term investments	430	920	26,078

- (1) In August 2021, the Group acquired shareholding interest of a privately held company with a cash consideration of RMB20,000 thousand (equivalent to US\$3,092). In September 2021, the Group acquired shareholding interest of a privately held company with a cash consideration of RMB5,000 thousand (equivalent to US\$774). In October 2021, the Group acquired shareholding interest of a privately held company with a cash consideration of RMB75,000 thousand (equivalent to US\$11,713). In November 2021, the Group acquired shareholding interest of a privately held company with a cash consideration of RMB3,000 thousand (equivalent to US\$467). In December 2021, the Group acquired shareholding interest of a privately held company with a cash consideration of RMB7,139 thousand (equivalent to US\$1,120).

In September 2021, the Group provided a loan to a customer, with principal amount of RMB4,000 thousand (equivalent to US\$617). This loan arrangement was entered into separately from regular sales business with this customer. In accordance with the bridge loan agreement, the loan was interest free, and will be due on August 31, 2022. The Group received the full repayment in December 2021. The Group acquired shareholding interest of this customer with cash consideration of RMB10,000 thousand (equivalent to US\$1,571) in December 2021.

In September 2021, the Group provided a bridge loan to a customer, with principal amount of RMB15,000 thousand (equivalent to US\$2,313), which was due within one year. There was a warrant granted to the Group to purchase shares of the customer with pre-agreed valuation cap. This loan arrangement was entered into separately from regular sales business with the customer. In accordance with the bridge loan agreement, the loan was interest free, and the Group was entitled to rights of investments in the customer within certain pre-defined period prior to the loan due dates. In the fourth quarter of 2021, this bridge loan of RMB15,000 thousand was fully converted into investment to the customer together with the Group's additional cash consideration of RMB15,640 thousand (equivalent to US\$2,459) to acquire shareholding interest of the customer. There was a realized gain of RMB7,860 thousand (equivalent to US\$1,218) charged to financial income, net for the year ended December 31, 2021 due to the exercise of the warrant.

For all of the above-mentioned investments, as the Group has the right to request each investee to redeem the Group's investments at the Group's investment cost plus the interest if the investee fails to meet certain predetermined conditions, the redeemable shares of the investees purchased by the Group were classified as an available-for-sale debt investments in accordance with ASC 320-10-20 and ASC 320-10-25 and were measured at their fair value. In the year ended December 31, 2021, the fair value changes of the Group's investments in these privately held companies after initial recognition were US\$357, which was charged to other comprehensive (loss)/income.

10. OPERATING LEASES

The Company has operating leases primarily for office and operation space. The Company's operating lease arrangements have remaining terms of one year to five years with no variable lease costs.

Operating lease costs were US\$3,760, US\$4,710 and US\$8,231 for the years ended December 31, 2019, 2020 and 2021, respectively.

The components of lease expenses were as follows:

	Year Ended December 31,		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Lease cost:			
Amortization of right-of-use assets	2,640	4,022	6,981
Interest of lease liabilities	262	396	749
Expenses for short-term lease within 12 months	858	292	501
Total lease cost	<u>3,760</u>	<u>4,710</u>	<u>8,231</u>

Supplemental cash flow information related to leases were as follows:

	Year Ended December 31,		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cash paid for amounts included in the measurement of lease liabilities:	2,570	4,976	7,920
Right-of-use assets obtained in exchange for operating lease liabilities	9,978	7,047	23,810

Supplemental consolidated balance sheet information related to leases were as follows:

	As of December 31,		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Right-of-use assets	8,658	12,267	22,181
Operating lease liabilities-current	3,763	6,326	5,697
Operating lease liabilities-non-current	<u>5,210</u>	<u>5,688</u>	<u>16,048</u>
Total lease liabilities	<u>8,973</u>	<u>12,014</u>	<u>21,745</u>
Weighted-average remaining lease term			
Operating leases	2.62 years	2.26 years	3.81 years
Weighted-average discount rate			
Operating lease	4.75% per annum	4.75% per annum	4.75% per annum

Maturities of lease liabilities were as follows:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
2020	4,242	–	–
2021	3,898	6,784	–
2022	1,360	3,807	6,722
2023	351	2,028	6,652
2024	47	47	4,909
2025	18	18	4,888
2026	–	–	646
2027	–	–	5
Total undiscounted lease payments	9,916	12,684	23,822
Less: imputed interest	(943)	(670)	(2,077)
Total lease liabilities	<u>8,973</u>	<u>12,014</u>	<u>21,745</u>

11. ACCOUNTS PAYABLE

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Total accounts payable	<u>12,176</u>	<u>23,159</u>	<u>12,212</u>

Supplemental consolidated balance sheet information related to accounts payable were as follows:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
0-3 months	10,913	22,120	11,493
3-6 months	70	1,039	209
6-12 months	1,193	–	215
Over 1 year	–	–	295
Total accounts payable	<u>12,176</u>	<u>23,159</u>	<u>12,212</u>

12. ACCRUALS AND OTHER LIABILITIES

The current and non-current portions of accruals and other liabilities consist of the following:

Group:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Accruals and other current liabilities			
Salary and welfare payable	11,933	20,655	30,597
Professional service fee payables	892	625	5,558

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Advertising and promotion fee payables	2,192	2,157	4,172
Cloud infrastructure and IT related services fee payables	1,790	1,705	3,110
Payment from depositary bank, current (2)	–	–	2,611
Tax payables	1,016	3,189	1,796
Sales return allowances	–	–	709
Membership fee to be refunded (1)	1,204	2,537	471
Product warranty	316	391	339
Others	355	479	1,484
Total accruals and other current liabilities	19,698	31,738	50,847
Other non-current liabilities			
Payment from depositary bank, non-current (2)	–	–	8,484
Total accruals and other liabilities	19,698	31,738	59,331

Company:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Accruals and other current liabilities			
Payment from depositary bank, current (2)	–	–	2,611
Professional service fee payables	59	349	4,086
Others	–	–	200
Total accruals and other current liabilities	59	349	6,897
Other non-current liabilities			
Payment from depositary bank, non-current (2)	–	–	8,484
Total accruals and other liabilities	59	349	15,381

(1) Membership fee to be refunded presents the balances of refundable membership fee collected by the Group from its customers under the 2019 Membership Program (Note 2(r)).

(2) The Company entered into an agreement with a depositary bank, under which the depositary bank provided payment of US\$13,053 in April 2021 to reimburse the Company for certain expenses incurred by the Company in the establishment, maintenance and administration of its American Depositary Receipt facility and reflect a share of the revenues that is likely to flow from the operation of the facility, for a period of five years since its initial public offering. The amount was recorded ratably as other non-operating income over a five-year arrangement period. For the year ended December 31, 2021, the Company recorded US\$1,958 in other non-operating income in the consolidated statements of comprehensive loss.

13. DEFERRED REVENUE

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Deferred Revenue			
– Cloud-based connectivity and basic IoT services (1)	777	2,058	2,669
– Membership (2)	–	1,077	3,473
– SaaS (3)	–	1,040	3,971
Total deferred revenue	<u>777</u>	<u>4,175</u>	<u>10,113</u>

(1) Deferred cloud-based connectivity and basic IoT services related revenue

Deferred cloud-based connectivity and basic IoT services related revenue represents the Group's provision of cloud-based connectivity obligation and basic IoT services to customers.

	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Beginning balances	223	777	2,058
Deferral of revenue	749	1,781	2,157
Recognition of deferred revenue	(195)	(500)	(1,546)
Ending balances	<u>777</u>	<u>2,058</u>	<u>2,669</u>

(2) Deferred Revenue – Membership

Deferred Revenue – Membership represents the Group's remaining performance obligation performed over the period of time under its 2020 Membership Program (Note 2(r)).

	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Beginning balances	–	–	1,077
Deferral of revenue	–	1,229	9,259
Recognition of deferred revenue	–	(152)	(6,863)
Ending balances	<u>–</u>	<u>1,077</u>	<u>3,473</u>

(3) Deferred Revenue – SaaS

Deferred Revenue – SaaS mainly represents the Group's remaining performance obligation in providing industry SaaS services over the period of time (Note 2(r)).

	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Beginning balances	–	–	1,040
Deferral of revenue	–	1,834	6,455
Recognition of deferred revenue	–	(794)	(3,524)
Ending balances	–	1,040	3,971

14. FINANCIAL INCOME, NET

	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Realized interest income and investment income	3,326	3,073	8,045
Gain on disposal of long-term investment	–	147	–
Realized gain of bridge loan conversion to investment (<i>Note 9(1)</i>)	–	–	1,218
Fair value change of short-term investments	–	–	(1,998)
Fair value change of long-term investments	–	–	(53)
Others	–	–	74
Total financial income, net	3,326	3,220	7,286

15. SHARE SPLIT

On June 1, 2018, a 10-for-1 share split of the Company's issued and unissued ordinary shares and convertible preferred shares was affected with par value per share divided by 10. All information related to the Company's ordinary shares, convertible preferred shares and share-based awards has been retroactively adjusted to give effect to the 10-for-1 share split. The par value per ordinary share and the par value per convertible preferred share also have been retroactively revised as if they had been adjusted in proportion to the share split.

16. ORDINARY SHARES

On August 28, 2014, the Company was incorporated as an exempted company with limited liability with authorized share capital of US\$50 divided into 1,000,000,000 shares with par value US\$0.00005 each. On August 28, 2014, the Company issued total 200,000,000 shares of ordinary shares with total cash consideration of US\$10 to the Registered Shareholders. The Company issued total 21,980,000 ordinary shares for US\$0.0797 per share, with cash proceed of RMB9,720 thousand (equivalent to US\$1,577) from two investors and US\$175 from the other investor (collectively, the "Angel Investors"), on August 28, 2014 and December 23, 2014, respectively.

The Company amended the numbers of its ordinary shares authorized as 934,711,640, 921,032,370, 827,969,950, 767,500,110 and 692,500,110 upon the issuance of Series A, Series A-1, Series B, Series C and Series D convertible preferred shares in December 2014, November 2016, August 2017, April 2018 and September 2019, respectively.

As of December 31, 2019 and 2020, the Company had in aggregate of 221,980,000 ordinary shares issued and outstanding, at a par value of US\$0.00005.

As of December 31, 2019, proceeds of the subscription for ordinary shares of the Company in the amount of US\$10 were remained outstanding, and was presented as subscription receivables from ordinary shareholders in equity, a contra-equity balance on the consolidated balance sheets as of December 31, 2019. In 2020, the ordinary shareholders fully paid the US\$10 subscription for ordinary shares of the Company, and therefore, as of December 31, 2020, the balance subscription receivables from ordinary shareholders were nil.

In early February 2021, the Company issued total 16,026,282 shares of ordinary shares for US\$12.48 per share, with total consideration of approximately US\$200 million received from two investors at fair market price, including one holder of its Series D Preferred Shares.

On March 18, 2021, the Company completed its IPO of 43,590,000 American Depositary Shares (“ADSs”), each representing one Class A ordinary shares of the Company, at the price of US\$21.00 per ADS. On April 20, 2021, the Company’s underwriters exercised their over-allotment option to purchase additional 1,486,479 ADSs. The Company received approximately US\$904.7 million of proceeds after deducting underwriting discounts commissions and other offering expense from its IPO and related over-allotment option arrangement.

Immediately prior to the completion of its IPO, the Company’s authorized share capital was amended as US\$50 divided into 1,000,000,000 ordinary shares, among which 600,000,000 authorized ordinary shares were reclassified and re-designated as Class A ordinary shares, 200,000,000 authorized ordinary shares were reclassified and re-designated as Class B ordinary shares, and remaining 200,000,000 authorized ordinary shares were reclassified and re-designated as undesignated shares on a one-for-one basis, of such class or classes (however designated) as the board of directors of the Company may determine in the future.

Immediately prior to the completion of its IPO, a total of 142,400,000 issued and outstanding ordinary shares were converted into Class B ordinary shares on a one-for-one basis. The remaining issued and outstanding ordinary shares and all the Series A, Series A-1, Series B, Series C and Series D Preferred Shares were converted into Class A ordinary shares, in each case on a one-for-one basis immediately prior to the completion of the IPO (the “Dual Class Conversion”). In respect of matters requiring the votes of shareholders, each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to 15 votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights.

On September 13, 2021 and October 18, 2021, the Company issued 5,000,000 Class A ordinary shares at par to a depositary bank reserved solely for the purpose of implementing the Group’s Equity Incentive Plan, respectively. The Group accounted for these shares as issued but not outstanding and presented as treasury stocks in the consolidated balance sheets.

On August 30, 2021, the Company’s board of directors authorized a share repurchase program under which the Company may repurchase up to US\$200 million of American depositary shares (“ADSs”) each representing one Class A ordinary shares during a twelve-month period (collectively, the “Share Repurchase Program”). The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. In the year ended December 31, 2021, the Company repurchased total 7,008,269 ADSs representing 7,008,269 of Class A ordinary shares under the Share Repurchase Program at a weighted average price of US\$7.65 per ADS. The remaining authorized amount under the Share Repurchase Program is US\$146 million.

On December 23, 2021, 27,000,000 Class B ordinary Shares were converted to Class A ordinary Shares on one-for-one basis for Wang Xueji’s estate planning (the “First Share Conversion”). On December 28, 2021, 36,000,000 Class B ordinary Shares were converted to Class A ordinary Shares on one-for-one basis for Wang Xueji’s estate planning (the “Second Share Conversion”). The First Share Conversion and the Second Share Conversion are collectively referred as the “2021 Share Conversion”.

As of December 31, 2021, the Company had in aggregate of 491,846,560 Class A ordinary shares issued and 480,241,752 shares Class A outstanding, at a par value of US\$0.00005. As of December 31, 2021, the Company had in aggregate of 79,400,000 Class B ordinary shares issued and outstanding, at a par value of US\$0.00005.

The activities of the Group's Class A ordinary shares and Class B ordinary shares for the year ended December 31, 2021 are summarized as below:

	Class A ordinary shares (US\$0.00005 par value)		Class B ordinary shares (US\$0.00005 par value)		Total of Class A ordinary shares and Class B ordinary shares (US\$0.00005 par value)	
	Number of shares issued	Amount	Number of shares issued	Amount	Number of shares issued	Amount
		US\$		US\$		US\$
Balance as of December 31, 2020	–	–	–	–	–	–
Dual Class Conversion	373,770,081	19	142,400,000	7	516,170,081	26
Issuance of ordinary shares upon Initial Public Offering and related over-allotment option, net of cost of issuance	45,076,479	2	–	–	45,076,479	2
2021 Share Conversion	63,000,000	3	(63,000,000)	(3)	–	–
Issuance of ordinary shares reserved for equity incentive plan	10,000,000	1	–	–	10,000,000	1
Balance as of December 31, 2021	<u>491,846,560</u>	<u>25</u>	<u>79,400,000</u>	<u>4</u>	<u>571,246,560</u>	<u>29</u>

17. CONVERTIBLE PREFERRED SHARES

The Company issued total 65,288,360 shares (with par value of US\$0.00005) of Series A convertible preferred shares (the "Series A Preferred Shares") for US\$0.1378 per share with total cash consideration of US\$8,500 from two investors and US\$500 from one investor (totally, cash proceed of US\$9,000 for Series A) on December 23, 2014 and March 31, 2015, respectively.

The Company issued total 13,679,270 shares (with par value of US\$0.00005) of Series A-1 convertible preferred shares (the "Series A-1 Preferred Shares") for US\$0.2193 per share from one investor with total cash proceed of US\$3,000 on November 11, 2016.

The Company issued total 87,756,440 shares (with par value of US\$0.00005) of Series B convertible preferred shares (the "Series B Preferred Shares") for US\$0.3305 per share, with total consideration of US\$25,000 from three investors and US\$4,000 from two investors (totally cash proceed of US\$29,000 for Series B) on August 15, 2017 and September 15, 2017, respectively.

The Company issued total 60,468,490 shares (with par value of US\$0.00005) of Series C convertible preferred shares (the "Series C Preferred Shares") for US\$1.9019 per share, with total cash consideration of US\$59,457 from six investors and US\$55,550 from three investors (totally cash proceed of US\$115,007 for Series C) on April 16, 2018 and May 2, 2018, respectively.

The Company issued total 52,428,242 shares (with par value of US\$0.00005) of Series D convertible preferred shares (the "Series D Preferred Shares") for US\$3.4317 (the "Series D Issue Price") per share, with total cash consideration of US\$174,918 from three investors and US\$5,000 from one investor (totally, cash proceed of US\$179,918 for Series D) on September 16, 2019 and November 1, 2019, respectively.

The issuance costs incurred for Series D Preferred Shares were US\$1,938.

The above-mentioned Series A, Series A-1, Series B, Series C and Series D Preferred Shares are collectively referred to as the "Preferred Shares". Series A, Series A-1, Series B, Series C Preferred Shares are collectively referred to as the "Junior Preferred Shares".

On November 1, 2019, the Company repurchased 1,457,003 shares from the holder of Series A-1 Preferred Shares, who originally held total 13,679,270 shares of the Company, for US\$2.5738 per share, with total cash consideration of US\$3,750 while the original issuance price for Series A-1 Preferred Shares was US\$0.2193 per share (the "Series A-1 Repurchase"). These repurchased Series A-1 Preferred Shares were then extinguished.

The key terms of the Preferred Shares issued by the Company are as follows:

Conversion rights

Optional Conversion

Any Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares of the Company.

Automatic Conversion

The Junior Preferred Shares shall automatically convert into the Company's ordinary shares upon the earlier of i) a Qualified IPO (referring to a public offering of ordinary shares of the Company with an offering price per share at least two times the price per share at which the Series D preferred shares of the Company were issued and total gross proceeds of at least US\$400 million), ii) the date specified by written consent or agreement of the holders of a majority of the voting power of the outstanding Junior Preferred Shares. The Series D Preferred Shares shall automatically convert into the Company's ordinary shares upon the earlier of i) a Qualified IPO, ii) the date specified by written consent or agreement of the holders of a majority of the voting power of the outstanding Series D Preferred Shares.

Conversion Price

The number of ordinary shares to be converted into is determined by the quotient of the applicable issue price divided by the then effective applicable conversion price with respect to such particular series of Preferred Shares, which shall initially be the applicable issue price for the Preferred Shares, as the case may be, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and shall be adjusted and readjusted from time to time, including but not limited to share splits and combinations, ordinary share dividends and distributions, reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions, issuance of new securities.

Voting Rights

The holder of a Preferred Share shall be entitled to such number of votes as equals the whole number of ordinary shares into which such holder's collective Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's Members (as defined Companies Act of the Cayman Islands) entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's Members (as defined Companies Act of the Cayman Islands) is first solicited. The holder of each ordinary share issued and outstanding shall have one vote in respect of each ordinary share held.

Dividend Rights

First, the holder of Series D Preferred Shares shall be entitled to receive noncumulative dividends at the rate of 8% of the Series D Issue Price per annum, when and if declared by the board of directors, payable out of funds or assets when and as such funds or assets become legally available therefore, on a pro rata basis.

Second, after the preferential dividends in respect of the Series D Preferred Shares above have been paid in full or declared and set apart in any fiscal year of the Company, each holder of Junior Preferred Shares shall be entitled to receive non-cumulative dividends at the rate of 8% of applicable issue price per annum with respect to such particular series of Preferred Shares, when and if declared the board of directors, payable out of funds or assets when and as such funds or assets become legally available therefore, on a pari passu basis.

Last, after the preferential dividends in respect of the Series D Preferred Shares and the Junior Preferred Shares above have been paid in full or declared, any additional dividends out of funds legally available therefore may be declared in that fiscal year for the ordinary shares and, if such additional dividends are declared, then such additional dividends shall be declared pro rata on the ordinary shares and Preferred Shares on an as-converted basis.

The Company did not declare any dividends since the issuance of its ordinary shares or Preferred Shares.

Liquidation Rights

Liquidation Preference

First, each holder of Series D Preferred Shares shall be entitled to receive for each Series D Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Junior Preferred Shares and ordinary shares, the amount (the "Series D Preference Amount") equal to the higher of (i) one hundred percent (100%) of the Series D Issue Price, plus all declared but unpaid dividends on such Series D Preferred Share and (ii) the amount that each Series D Preferred Share would have received had such Series D Preferred Share been converted into Ordinary Share(s) immediately prior to such event.

Second, if there are any assets or funds remaining after the aggregate Series D Preference Amount has been distributed or paid in full to the holders of Series D Preferred Shares, each holder of Junior Preferred Shares shall be entitled to receive for each Junior Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Ordinary Shares, the amount (the "Junior Preferred Preference Amount") equal to the higher of (i) one hundred percent (100%) of the Applicable Issue Price, plus all declared but unpaid dividends on such Junior Preferred Share and (ii) the amount each Junior Preferred Share would have received had such Junior Preferred Share been converted into ordinary Shares immediately prior to such event.

Third, if there are any assets or funds remaining after the aggregate Preference Amount has been distributed or paid in full to the holders of the Series D Preferred Shares and Junior Preferred Shares, each Angel Investor shall be entitled to receive the amount equal to their applicable initial purchase price of the Company's ordinary shares (the "Angel Preference Amount") prior and in preference to any distribution of any assets or funds of the Company to the holders of the ordinary shares (excluding any Angel Investors).

Last, if there are any assets or funds remaining after the Preference Amount has been distributed or paid in full to the holders of the Series D Preferred Shares, holders of the Junior Preferred Shares and the Angel Investors, the remaining assets and funds of the Company available for distribution to the Members shall be distributed ratably among all holders of Ordinary Shares (excluding any Angel Investors who have received their Angel Preference Amounts, but including any Angel Investor who has forfeited the right to receive its Angel Preference Amount) according to the relative number of Ordinary Shares held by such holder.

Deemed Liquidation Event

Deemed Liquidation Event (as defined in the Company's memorandum and articles of association) include: (1) any consolidation, reorganization, amalgamation or merger of the company and/or its subsidiaries or shareholders of the subsidiaries with or into any person, or any other corporate reorganization or scheme of arrangement, including a sale or acquisition of equity securities of the Company, in which the shareholders of the Company or shareholders of its subsidiaries immediately before such transaction own less than 50% of the voting power of the surviving company immediately after such transaction; or (2) the sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company.

Unless waived in writing by the holders of a majority of the outstanding Preferred Shares (voting together as a single class and on an as-if converted basis) and the holders of a majority of outstanding Series D Preferred Shares, a deemed liquidation shall be deemed to be a liquidation, dissolution or winding up of the Company for purposes of Article "Liquidation Rights", and any proceeds, whether in cash or properties, resulting from a Deemed Liquidation Event shall be distributed in accordance with the above liquidation preference.

Consideration of contingent redemption

The Preferred Shares generally are not redeemable outside the Company's control, following the Company's memorandum and articles of association as well as arrangements with the holders of the Preferred Shares. However, it is not guaranteed that under all circumstances, regardless of its probability, a Deemed Liquidation Event will occur solely within the control of the Company and consequently the Preferred Shares may be redeemable upon the occurrence of such event.

Preemptive Rights

The Company grants to each its major investor (each an "Offeree") a right (the "Preemptive Right") to purchase up to its pro rata share of any new securities that the Company may, from time to time after the Initial Closing, propose to sell or issue. For the purposes of the Preemptive Right hereunder, each Offeree's "pro rata share" shall be determined according to the aggregate number of all Ordinary Shares converted or convertible from the Preferred Shares held by such Offeree immediately prior to the issuance of the new securities in relation to the aggregate number of all shares, options and warrants (calculated on a fully-diluted and as converted to ordinary shares basis) then outstanding immediately prior to the issuance of the new securities.

In addition to the investor's Preemptive Right, only one major majority holder of Series D Preferred Shares shall have the right (the "Super Pro Rata Right") to purchase additional shares of new securities that the Company may sell in the next three rounds of equity financings; provided that if the Company, consummates more than three rounds of equity financings prior to the three-year anniversary of the initial closing, such right shall also apply to such additional rounds of equity financings consummated prior to the three-year anniversary of the initial closing.

Modification

There were minor modifications of the Preferred Shares occurred in 2019. The amount of aggregate gross proceeds to the Company which meet the definition of a Qualified IPO was modified upon the issuance of Series D Preferred Shares. However, there were no modification around the major embedded features of the Preferred Shares, including not any adjustment of Liquidation Preference, Voting Rights, or conversion ratio and mechanism to determine conversion price.

The Company assessed the change of fair value of the Preferred Shares immediately before and after the modifications and the change was immaterial.

Accounting for Preferred Shares

The Company classifies the Preferred Shares as mezzanine equity in the consolidated balance sheets because they are contingently redeemable upon the occurrence of an event that is outside of the Company's control, regardless of its probability.

The conversion feature of the Preferred Shares is clearly and closely related to the equity host contract, which does not meet ASC 815-15-25-1 (a), and should not be separated from the host contract and accounted for as a derivative instrument. The liquidation feature of the Preferred Shares does not qualify as derivatives as defined by ASC 815-10-15-83(c), which does not meet ASC 815-15-25-1 (c), and should not be separated from the host contract and accounted for as a derivative instrument.

The Preferred Shares are recorded initially at fair value, net of issuance costs, and carried at the amount recorded at inception and no subsequent changes are needed in accordance with ASC 480-10-S99-3A-12 and ASC 480-10-S99-3A-14. For the years ended December 31, 2019, 2020 and 2021, the issuance costs incurred were US\$1,938, nil and nil, respectively.

For the Series A-1 Repurchase incurred in November 2019, the difference of repurchase price in excess of original issuance price was deemed as dividend to convertible preferred shareholders by the Company, which was debited to additional paid in capital of US\$3,430 in the absence of retained earnings.

Immediately prior to the completion of the IPO, all classes of Preferred Shares of the Company were converted to ordinary shares upon completion of the IPO (See Note 16 – Ordinary Shares).

The Group's Preferred Shares activities for the years ended December 31, 2019, 2020 and 2021 are summarized as below:

	Series A Shares		Series A-1 Shares		Series B Shares		Series C Shares		Series D Shares		Total	
	Number of shares issued	Amount	Number of shares issued	Amount	Number of shares issued	Amount	Number of shares issued	Amount	Number of shares issued	Amount	Number of shares issued	Amount
		US\$		US\$		US\$		US\$		US\$		US\$
Balance as of												
December 31, 2018	65,288,360	9,000	13,679,270	3,000	87,756,440	29,000	60,468,490	115,007	-	-	227,192,560	156,007
Issuance of Series D Preferred Shares, net of issuance cost	-	-	-	-	-	-	-	-	52,428,242	177,980	52,428,242	177,980
Repurchase of convertible preferred shares	-	-	(1,457,003)	(320)	-	-	-	-	-	-	(1,457,003)	(320)
Balance as of												
December 31, 2019	65,288,360	9,000	12,222,267	2,680	87,756,440	29,000	60,468,490	115,007	52,428,242	177,980	278,163,799	333,667
Balance as of												
December 31, 2020	65,288,360	9,000	12,222,267	2,680	87,756,440	29,000	60,468,490	115,007	52,428,242	177,980	278,163,799	333,667
Conversion of redeemable preferred shares	(65,288,360)	(9,000)	(12,222,267)	(2,680)	(87,756,440)	(29,000)	(60,468,490)	(115,007)	(52,428,242)	(177,980)	(278,163,799)	(333,667)
Balance as of												
December 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-

18. SHARE-BASED COMPENSATION

In December 2014, the board of directors of the Company adopted the Company's 2015 Equity Incentive Plan ("the 2015 Plan") and reserved 31,918,690 ordinary shares for issuance under the Plan to grant share-based awards, including restricted shares and share options, to its service providers, defined as the Company's global employees, director and external consultants. In July 2020, the 2015 Plan was modified to allow the Company with the intentions of i) providing for the award of restricted stock units ("RSUs") under the Plan and ii) amending the exercise price of certain outstanding share options held by certain optionees located outside of the U.S. to purchase ordinary shares of the Company (the "Share Option Repricing"), and the number of ordinary shares reserved for the 2015 Plan was modified to 60,778,005 (adjusted in accordance with the Share Split). As of December 31, 2020, the Company had not granted any RSUs to anyone yet, neither had the Company entered any repricing agreement with the optionee under the 2015 Plan yet. As of December 31, 2020, the Company had not granted any restricted shares to anyone yet, except that the part of the ordinary shares issued to the Registered Shareholders with restricted conditions from December 2014 to 2018 was considered as shared based compensation, see below Registered Shareholders' Restricted Shares.

Since adoption of the 2015 Plan, the Company granted options to its global employees, director and external consultants. All options granted have a contractual term of ten years from the grant date, and the vest over a period of four years of continuous service, 50% of the shares subject to the option shall vest on the second anniversary of the vesting commencement date, and the remaining of the shares subject to the option shall vest in equal annual installments over the following two years thereafter on the same day of the month as the vesting commencement date (and if there is no corresponding day, on the last day of the month), subject to the grantee continuing to be a service provider through each such date. The share options granted to PRC employee grantee shall become fully vested under the same service conditions and vesting schedule and, to the extent permissible under applicable law, exercisable upon the occurrence of a Change in Control (as defined in the 2015 Plan).

The Company accounted for the share-based compensation costs on a straight-line bases over the requisite service period for the award based on the fair value on their respectively grant date.

In January 2021, the Company entered into agreements with certain optionees under the 2015 Plan to amend the exercise price of certain outstanding share options held by these optionees located outside of the U.S. to purchase ordinary shares of the Company. As a result of this share option repricing, the Company recorded incremental share-based compensation expense of US\$5,861 in its consolidated financial statements for the year ended December 31, 2021, and estimated approximately US\$2.95 million to be amortized over the remaining requisite service period for the optionees till year ending December 31, 2024.

On February 21, 2021, the 2015 Plan was amended to increase the number of ordinary shares available and reserved for issuance under the 2015 Plan to 76,778,005 ordinary shares, which was approved by the board of directors of the Company and the shareholders of the Company.

On February 25, 2021, the board of directors of the Company approved further amendment to the 2015 Plan, which provides that starting on January 1, 2022, on the first day of each fiscal year thereafter, the total number of shares available for issuance under the 2015 Plan was increased by an amount equal to the least of (i) 2% of the aggregate number of shares of all classes of ordinary shares of the Company's issued and outstanding on the last day of the immediately preceding fiscal year and (ii) such number of shares as determined by the board of directors.

The Company granted 10,580,000, 9,705,000, and 18,035,000 new share options with four-year requisite service period to its employees and nonemployees for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2019, 2020 and 2021, 41,220,000, 48,740,000 and 59,961,539 options were outstanding under the 2015 Plan.

Starting from June 2021, the Company granted RSUs under the 2015 Plan. The Company granted 3,217,000 RSUs with four-year requisite service period to its employees and nonemployees for year ended December 31, 2021. As of December 31, 2021, 3,050,000 RSUs were outstanding under the 2015 Plan.

Share Options

The following table sets forth the share options activity for the years ended December 31, 2019, 2020 and 2021:

	Number of shares	Weighted average exercise price per share	Weighted average grant date fair value per share	Weighted average remaining contractual term	Aggregate intrinsic value US\$
Outstanding as of December 31, 2018	31,010,000	0.17	0.37	7.80	39,483
Granted	10,580,000	0.80	1.85		
Forfeited	(370,000)	0.35	0.76		
Outstanding as of December 31, 2019	<u>41,220,000</u>	<u>0.33</u>	<u>0.75</u>	<u>7.49</u>	<u>93,889</u>
Granted	9,705,000	0.42	2.44		
Forfeited	(2,185,000)	0.62	1.52		
Outstanding as of December 31, 2020	<u>48,740,000</u>	<u>0.33</u>	<u>1.05</u>	<u>7.02</u>	<u>591,879</u>
Granted	18,035,000	0.24	12.55		
Exercised	(5,403,461)	0.14	0.68		
Forfeited	(1,410,000)	0.31	7.21		
Outstanding as of December 31, 2021	<u>59,961,539</u>	<u>0.17</u>	<u>4.40</u>	<u>6.95</u>	<u>364,287</u>

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the estimated fair value of the underlying stock at each reporting date (December 31, 2019: US\$99,426, December 31, 2020: US\$608,251, December 31, 2021: US\$374,760).

The Group uses the Binominal option pricing model to estimate the fair value of stock options. The assumptions used to value the Company's options grants were as follow:

	As of December 31,		
	2019	2020	2021
Exercise price (US Dollar)	0.79~1.08	0.3~1.08	0.2~2.88
Exercise multiple	2.2~2.8	2.2~2.8	2.2~2.8
Risk-free interest rate	2.08%~2.79%	0.70%~0.82%	1.13%~1.79%
Expected term (in years)	10	10	10
Expected dividend yield	—	—	—
Expected volatility	50.30%~51.13%	50.66%~50.96%	50.40%~55.79%
Expected forfeiture rate (post-vesting)	4.19%	3.88%	2.96%~5.83%
Fair value of the underlying shares on the date of options grants (US Dollar)	1.56~2.66	2.66~3.02	6.25~20.91
Fair value of share option (US Dollar)	1.02~1.98	1.98~2.54	5.78~20.91

As of December 31, 2021, there were US\$195,091 of unrecognized share-based compensation expenses related to share options granted by the Company, which were expected to be recognized over a weighted-average vesting period of 1.56 years, respectively.

Restricted Share Units

The following table sets forth the service-based RSUs activity for the year ended December 31, 2021:

	Number of shares	Weighted average grant date fair value per share
Outstanding as of December 31, 2020	—	—
Granted	3,217,000	8.95
Forfeited	(167,000)	11.80
Outstanding as of December 31, 2021	3,050,000	8.80

There were no activity of service-based RSUs for the years ended December 31, 2019 and 2020, respectively.

As of December 31, 2021, there were US\$24,933 of unrecognized share-based compensation expenses related to RSUs granted by the Company, which were expected to be recognized over a weighted-average vesting period of 3.66 years.

Registered Shareholders' Restricted Shares

On December 23, 2014, in connection with the issuance of Series A Preferred Shares, the Registered Shareholders (also as the key member of management) agreed to place 200,000,000 ordinary shares, which were previously issued to them in August 2014 (Note 16), into escrow to be released back to them if specified service condition are met (defined as "Registered Shareholders' Restricted Shares"), which was 25% of the Registered Shareholders' Restricted Shares were immediately vested and the remaining 75% of the Registered Shareholders' Restricted Shares shall be vested annually in equal installments over the next four years. The Company had the right to repurchase these Registered Shareholders' Restricted Shares at par value of ordinary share if the service condition

requisite was not satisfied. Pursuant to ASC 718-10-S99, such escrowed share arrangements are presumed to be compensatory and equivalent to a reverse stock split followed by the grant of restricted stock. Accordingly, the 75% of the Registered Shareholders' Restricted Shares that were subject to the service condition were considered shared based compensation.

The fair value of the Registered Shareholders' Restricted Shares was determined at its grant date (December 23, 2014) by the Company and was amortized over the four-year vesting period on straight line basis. By December 2018, all the Registered Shareholders' Restricted Shares were fully vested with total related share-based compensation expenses of US\$11,797, which was recorded as expenses before the periods presented and included in the opening balance of accumulated losses of the Group as of January 1, 2019.

19. INCOME TAXES

Cayman Islands

Under the current tax laws of Cayman Islands, the Company is not subject to income, corporation or capital gains tax, and no withholding tax is imposed upon the payment of dividends.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiaries in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

PRC

PRC Enterprise Income Tax ("EIT")

On March 16, 2007, the National People's Congress of PRC enacted the Enterprise Income Tax Law (the "new CIT Law"), under which foreign invested enterprises ("FIEs") and domestic companies would be subject to enterprise income tax ("EIT") at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. In accordance with the implementation rules of EIT Law, a qualified "High and New Technology Enterprise" ("HNTE") is eligible for a preferential tax rate of 15%. The HNTE certificate is effective for a period of three years. An entity could re-apply for the HNTE certificate when the prior certificate expires.

The WFOE (Hangzhou Tuya Information Technology Co., Ltd.) obtained its HNTE certificate with a valid period of three years in 2018. Therefore, the WFOE is eligible to enjoy a preferential tax rate of 15% from 2018 to 2020 to the extent it has taxable income under the EIT Law, as long as it maintains the HNTE qualification and duly conducts relevant EIT filing procedures with the relevant tax authority. As of December 31, 2021, the renewal application of the WFOE's HNTE qualification was completed and the WFOE continues qualifying as an HNTE and entitles to enjoy the 15% beneficial tax rate for the years ended December 31, 2022, 2023 and 2024.

PRC Withholding Income Tax on Dividends

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose "de facto management body" is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The implementing Rules of the EIT Law merely define the location of the "de facto management body" as "the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located."

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's

jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong can be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a Beneficial Owner of the dividend from PRC tax perspective.

As of December 31, 2019, 2020 and 2021, the Company did not record any withholding tax on the retained earnings of its subsidiaries in the PRC as the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC.

United States

The Company's subsidiary in California, United States is subject to U.S. federal corporate tax and California corporate franchise tax on its taxable income as reported in its statutory financial statements adjusted in accordance with relevant U.S. tax laws. The applicable U.S. federal corporate tax rate is 21% and the California corporate franchise tax rate is 8.84% or minimum of US\$0.8, whatever is larger in 2019, 2020 and 2021.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax ("BEAT"), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss carry-forwards created in tax years beginning after December 31, 2017. In addition, the California corporate franchise tax remained the same after the enactment of the Tax Act. The Company assessed the impact of Tax Act and concluded that it was not material to the Company.

As the Group incurred income tax expense mainly from PRC tax jurisdictions, the following information is based mainly on PRC income taxes.

Composition of income tax expense

The components of loss before tax are as follow:

	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Loss before tax			
Loss from PRC entities	(60,761)	(54,776)	(150,478)
Loss from overseas entities	(9,592)	(11,930)	(24,456)
Total loss before tax	<u>(70,353)</u>	<u>(66,706)</u>	<u>(174,934)</u>
	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Current income tax expense	124	206	490
Deferred income tax	—	—	—
Total income tax expense	<u>124</u>	<u>206</u>	<u>490</u>

Reconciliation of the differences between statutory tax rate and the effective tax rate

Reconciliation of the differences between the statutory EIT rate applicable to losses of the consolidated entities and the income tax expenses of the Group:

	Year Ended December 31,		
	2019	2020	2021
PRC Statutory income tax rate	25.0%	25.0%	25.0%
Effect on tax rates in different tax jurisdiction	(3.2%)	(2.6%)	(2.0%)
Income tax on tax holiday (1)	(8.6%)	(3.0%)	(2.2%)
Additional deduction for research and development expenditures	4.4%	8.9%	7.2%
Share-based compensation	(1.1%)	(2.1%)	(8.4%)
Permanent book-tax differences	(0.7%)	(2.2%)	6.2%
Change in valuation allowance (2)	(16.0%)	(24.3%)	(26.0%)
Effective tax rates	(0.2%)	(0.3%)	(0.2%)

- (1) The income tax on tax holidays represents the effect of preferential income tax rate that the WFOE qualified as an HNTE is entitled to enjoy the beneficial tax rate of 15%.
- (2) Valuation allowance for the years ended December 31, 2019, 2020 and 2021 are related to the deferred tax assets of certain group entities which reported losses. The Group believes that it is more likely than not that the deferred tax assets of these entities will not be utilized. Therefore, valuation allowance has been provided.

Deferred tax assets and deferred tax liabilities

The following table sets forth the significant components of the deferred tax assets:

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Deferred tax assets			
Net accumulated losses-carry forward	19,310	33,277	76,944
Payroll liabilities	1,795	3,836	5,438
Inventory write-downs	43	183	402
Receivables allowances	57	83	171
Other deductible temporary difference	—	26	9
Less: valuation allowance	(21,205)	(37,405)	(82,964)
Total deferred tax assets	—	—	—

As of December 31, 2021, the Group had tax losses carry forwards of approximately US\$376,193, which mainly arose from its subsidiaries established in the PRC. These tax losses carry forwards from PRC entities will expire during the period from 2022 to 2031 as follows:

At December 31, 2021	US\$
2022	481
2023	120
2024	248
2025	65,168
2026	115,705

At December 31, 2021	US\$
2027	5,698
2028	34,926
2029	74,954
2030	41,038
2031	37,855
Total tax losses carry forwards	376,193

Movement of valuation allowance

	As of December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Balance at beginning of the year	9,914	21,205	37,405
Changes of valuation allowance (1)	11,291	16,200	45,559
Balance at end of the year	21,205	37,405	82,964

- (1) Valuation allowances have been provided against deferred tax assets when the Group determines that it is more likely than not that the deferred tax assets will not be utilized in the future. In making such determination, the Group evaluates a variety of factors including the Group's entities' operating history, accumulated deficit, existence of taxable temporary differences and reversal periods. As of December 31, 2019, 2020 and 2021, full valuation allowances on deferred tax assets were provided because it was more likely than not that the Group will not be able to utilize tax loss carry forwards and other temporary tax difference generated by its unprofitable subsidiaries and the VIE.

20. BASIC AND DILUTED NET LOSS PER SHARE

Basic and diluted loss per share have been calculated in accordance with ASC 260 on computation of earnings (loss) per share for each of the year ended December 31, 2019, 2020 and 2021 are calculated as follows:

	Year Ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Basic and diluted net loss per share calculation			
Numerator:			
Net loss attributable to Tuya Inc.'s ordinary shareholders, basic and diluted	(73,907)	(66,912)	(175,424)
Denominator:			
Weighted-average ordinary shares outstanding, basic and diluted	221,980,000	221,980,000	489,149,533
Net loss per share attributable to ordinary shareholders:			
Basic	(0.33)	(0.30)	(0.36)
Diluted	(0.33)	(0.30)	(0.36)

The following ordinary shares equivalent were excluded from the computation of diluted net loss per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

	As of December 31,		
	2019	2020	2021
Preferred Shares – weighted shares	279,377,303	278,163,799	–
Share option and RSU – weighted shares	35,867,233	44,743,156	61,989,697

21. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

There are no future minimum capital commitments as of December 31, 2019, 2020 and 2021.

(b) Operating lease commitment

The Group had outstanding commitments on several non-cancellable operating lease agreements. Operating lease commitment within one year or less lease term, for which the Group elected not recognize any lease liability or right-of-use asset, therefore not yet reflected in the consolidated financial statements as of December 31, 2019, 2020 and 2021 were US\$343, US\$48 and US\$99, respectively.

(c) Services purchase commitment

As of December 31, 2019, the Group's services purchase commitments were as follows:

	Total	Less Than 1 year	1-3 years
	US\$	US\$	US\$
Purchase obligations (i)	2,924	–	2,924

As of December 31, 2020, the Group's products and services purchase commitments were as follows:

	Total	Less Than 1 year	1-3 years
	US\$	US\$	US\$
Purchase obligations (i)	2,382	–	2,382

As of December 31, 2021, the Group's services purchase commitments were as follows:

	Total	Less Than 1 year	1-3 years	3-5 years
	US\$	US\$	US\$	US\$
Purchase obligations (i)	31,771	6,146	15,000	10,625

- (i) Purchase obligations represent US\$2,924 and US\$2,382 of remaining non-cancelable contractual commitments as of December 31, 2019 and 2020, respectively, related to one of the Group's third-party cloud infrastructure agreement, under which the Group committed to spend an aggregate of at least US\$3,000 between May 1, 2019 and April 30, 2022 with no minimum purchase commitment during any year. The Group had made payments totaling US\$76 and US\$618 under this agreement as of December 31, 2019 and 2020, respectively.

Purchase obligations represent US\$31,771 of remaining non-cancelable contractual commitments as of December 31, 2021, related to one of the Group's third-party cloud infrastructure agreement, under which the Group committed to spend an aggregate of at least US\$37,500 between June 1, 2021 and May 31, 2026 with minimum purchase commitment. The Group had made payments totaling US\$5,729 under this agreement as of December 31, 2021.

(d) Contingencies

From time to time, the Group is subject to legal proceedings, investigations and claims incidental to the conduct of its business. As of December 31, 2019, 2020 and 2021, the Group was not involved in any legal or administrative proceedings that the Group believes may have a material adverse impact on the Group's business, balance sheets or results of operations and cash flows.

22. RELATED PARTY TRANSACTIONS

The table below sets forth the major related party and their relationships with the Company as of December 31, 2021:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Wang Xueji and other four individuals	Registered Shareholders

There has been no related party transaction during year ended December 31, 2019. As of December 31, 2019, the non-trade in nature balance of receivables was due from the Restricted Shareholder stated in Note 16. On December 30, 2020, the Company received the subscription amount for ordinary shares issued of US\$10 from the Registered Shareholders. There was no related party transaction for the year ended December 31, 2021.

	As of December 31,		
	2019	2020	2021
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Receivables from shareholders (<i>Note 16</i>)	10	–	–

23. AMOUNT DUE FROM/TO SUBSIDIARIES

Amounts due from/to subsidiaries of the Company are interest free, unsecured and repayable on demand.

24. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 22, 2022 which is the date these consolidated financial statements are issued.

In January 2022, the Company granted total 1,045,000 share options and 2,479,500 RSUs under the 2015 Plan to its employees and non-employees, which is only subject to service conditions. As a result of this share option grant, the Company estimated total share-based compensation expense of approximately US\$19,045 to be recorded in its consolidated financial statements over the vesting period of four years starting from 2022.

In May 2022, the Company granted a total of 1,720,000 share options and 679,000 RSUs under the 2015 Plan to its employees and non-employees, which is only subject to service conditions. As a result of this share option grant, the Company estimated total share-based compensation expense of approximately US\$5,059 to be recorded in its consolidated financial statements over the vesting period of four years starting from 2022.

25. STATUTORY RESERVES AND RESTRICTED NET ASSETS

Relevant PRC laws and regulations permit payments of dividends by the Group's entities incorporated in the PRC only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. In addition, the Group's entities in the PRC are required to annually appropriate 10% of their net after-tax income to the statutory general reserve fund prior to payment of any dividends, unless such reserve funds have reached 50% of their respective registered capital. As a result of these and other restrictions under PRC laws and regulations, the Group's entities and the VIE subsidiary incorporated in the PRC are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion as calculated under U.S. GAAP amounted to US\$14,852, US\$41,776 and US\$283,655 as of December 31, 2019, 2020 and 2021. There are no significant differences between U.S. GAAP and PRC accounting standards in connection with the reported net assets of the legally owned subsidiaries in the PRC and the VIE. Even though the Company currently does not require any such dividends, loans or advances from the PRC entities for

working capital and other funding purposes, the Company may in the future require additional cash resources from them due to changes in business conditions, to fund future acquisitions and development, or merely to declare and pay dividends or distributions to its shareholders. Except for the above, there is no other restriction on use of proceeds generated by the Group's subsidiaries and the VIE to satisfy any obligations of the Company.

For the year ended December 31, 2021, the Company performed a test on the restricted net assets of subsidiaries and VIE in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the restricted net assets exceeded 25% of the consolidated net assets of the Company as of December 31, 2021 and the condensed financial information of the Company (referred to as the "Parent Company" below) are required to be presented.

Condensed Financial Information of the Parent Company

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

Balance Sheet

		As of December 31,		
	<i>Note</i>	2019	2020	2021
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
ASSETS				
Current assets:				
Cash and cash equivalents		151,231	20	15,833
Amounts due from subsidiaries	23	21,577	174,753	346,859
Prepayments and other current assets		138	–	13,345
Total current assets		172,946	174,773	376,037
Non-current assets:				
Investment in subsidiaries and VIE	1(b)	50,687	–	753,005
Other non-current assets		–	182	–
Total non-current assets		50,687	182	–
Total assets		223,633	174,955	1,129,042
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT/(EQUITY)				
Liabilities				
Accruals and other current liabilities	12	59	349	6,897
Amounts due to subsidiaries and VIE	23	–	673	–
Other non-current liabilities		–	–	8,484
Investment deficit in subsidiaries and VIE	1(b)	–	4,933	–
Total liabilities		59	5,955	15,381
Mezzanine equity				
Series A convertible preferred shares (US\$0.00005 par value; 65,288,360 shares authorized, issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	9,000	9,000	

Condensed Financial Information of the Parent Company

(All amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)
(CONTINUED)

Balance Sheet

	Note	As of December 31,		
		2019	2020	2021
		US\$	US\$	US\$
Series A-1 convertible preferred shares (US\$0.00005 par value; 15,959,140 shares authorized as of December 31, 2019 and 2020, respectively; 12,222,267 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	2,680	2,680	—
Series B convertible preferred shares (US\$0.00005 par value; 90,782,550 shares authorized as of December 31, 2019 and 2020, respectively; 87,756,440 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	29,000	29,000	—
Series C convertible preferred shares (US\$0.00005 par value; 60,469,840 shares authorized as of December 31, 2019 and 2020, respectively; 60,468,490 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	115,007	115,007	—
Series D convertible preferred shares (US\$0.00005 par value; 75,000,000 shares authorized December 31, 2019 and 2020, respectively; 52,428,242 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	17	177,980	177,980	—
Total mezzanine equity		333,667	333,667	—
Shareholders' (deficit)/equity:				
Ordinary shares (US\$0.00005 par value; 692,500,110 shares authorized, 221,980,000 shares issued and outstanding as of December 31, 2019 and 2020, respectively; nil shares authorized, issued and outstanding as of December 31, 2021)	16	11	11	—
Class A ordinary shares (US\$0.00005 par value; nil, nil and 600,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 491,846,560 shares issued as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 480,241,752 shares outstanding as of December 31, 2019, 2020 and 2021, respectively)	16	—	—	25

	Note	As of December 31,		
		2019	2020	2021
		US\$	US\$	US\$
Class B ordinary shares (US\$0.00005 par value; nil, nil and 200,000,000 shares authorized as of December 31, 2019, 2020 and 2021, respectively; nil, nil and 79,400,000 shares issued and outstanding as of December 31, 2019, 2020 and 2021, respectively)	16	–	–	4
Treasury stock (US\$0.00005 par value; nil, nil and 11,604,808 shares as of December 31, 2019, 2020 and 2021, respectively)		–	–	(46,930)
Additional paid-in capital		17,869	27,315	1,526,140
Subscription receivables from shareholders	22	(10)	–	–
Accumulated other comprehensive (loss)/income		(2,401)	481	2,320
Accumulated deficit		(125,562)	(192,474)	(367,898)
Total shareholders' (deficit)/equity		(110,093)	(164,667)	1,113,661
Total liabilities, mezzanine equity and shareholders' (deficit)/equity		223,633	174,955	1,129,042

Statement of Comprehensive Loss

	As of December 31,		
	2019	2020	2021
Operation expense			
General and administrative expenses	(288)	(784)	(2,927)
Share of loss of subsidiaries and VIE	(71,359)	(66,982)	(174,455)
Other operating expenses, net	(7)	(7)	–
Total operating expenses	(71,654)	(67,773)	(177,382)
Other non-operating income, net	–	–	1,958
Financial income, net	1,179	861	–
Foreign exchange loss	(2)	–	–
Loss before income tax expense	(70,477)	(66,912)	(175,424)
Net loss	(70,477)	(66,912)	(175,424)
Deemed dividend from Preferred Shareholders	(3,430)	–	–
Net loss attributable to ordinary shareholders	(73,907)	(66,912)	(175,424)
Net loss	(70,477)	(66,912)	(175,424)
Other comprehensive (loss)/income			
Foreign currency translation	(428)	2,882	1,482
Changes in fair value of long-term investments	–	–	357
Total comprehensive loss	(70,905)	(64,030)	(173,585)

Statement of Cash Flows

	As of December 31,		
	2019	2020	2021
Net cash (used in)/generated from operating activities	(728)	498	11,255
Payment for short-term investments	(94,910)	–	–
Proceeds from disposal of short-term investments	95,967	–	–
Advance to, and investment in subsidiaries	(23,329)	(151,719)	(1,037,244)
Net cash used in investing activities	(22,272)	(151,719)	(1,037,244)
Proceeds from issuance of Class A ordinary shares upon Initial Public Offering and related over-allotment option, net of cost of issuance	–	–	904,732
Payment for repurchase of ordinary shares	–	–	(64,000)
Proceeds from issuance of ordinary shares prior to Initial Public Offering	–	–	200,000
Proceeds from exercise of share options	–	–	1,070
Proceeds from issuance of convertible preferred shares, net of issuance costs	177,980	–	–
Payment for repurchase of convertible preferred shares	(3,750)	–	–
Subscription contributions from shareholders	–	10	–
Net cash generated from financing activities	174,230	10	1,041,802
Effect of exchange rate changes on cash and cash equivalents	–	–	–
Net increase/(decrease) in cash and cash equivalents	151,230	(151,211)	15,813
Cash and cash equivalents at the beginning of the year	1	151,231	20
Cash and cash equivalents at the end of the year	<u>151,231</u>	<u>20</u>	<u>15,833</u>

26. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (I) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended December 31,		
	2019	2020	2021
	US\$	US\$	US\$
Fees	–	–	160
Basic salaries, housing fund, allowances and benefits in kind	666	640	660
Employer's contributions to a retirement benefit scheme	17	15	22
Share-based compensation	820	1,652	30,398
Total	<u>1,503</u>	<u>2,307</u>	<u>31,240</u>

The directors and senior management received emoluments from the Group for the year ended December 31, 2019 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Share-based compensation	Total
	US\$	US\$	US\$	US\$	US\$
Wang Xueji (<i>Note (a)</i>)	–	147	4	–	151
Chen Liaohan (<i>Note (b)</i>)	–	130	4	–	134
Zhou Ruixin (<i>Note (c)</i>)	–	129	4	–	133
Yang Yi (<i>Note (d)</i>)	–	147	4	234	385
Liu Yao (<i>Note (e)</i>)	–	113	1	527	641
Jeffrey Robert Immelt (<i>Note (f)</i>)	–	–	–	59	59
Total	–	666	17	820	1,503

The directors and senior management received emoluments from the Group for the year ended December 31, 2020 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Share-based compensation	Total
	US\$	US\$	US\$	US\$	US\$
Wang Xueji (<i>Note (a)</i>)	–	131	4	–	135
Chen Liaohan (<i>Note (b)</i>)	–	110	4	–	114
Zhou Ruixin (<i>Note (c)</i>)	–	109	4	–	113
Yang Yi (<i>Note (d)</i>)	–	131	1	210	342
Liu Yao (<i>Note (e)</i>)	–	159	2	1,091	1,252
Jeffrey Robert Immelt (<i>Note (f)</i>)	–	–	–	351	351
Total	–	640	15	1,652	2,307

The directors and senior management received emoluments from the Group for the year ended December 31, 2021 as follows:

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Share-based compensation	Total
	US\$	US\$	US\$	US\$	US\$
Wang Xueji (<i>Note (a)</i>)	–	132	5	17,395	17,532
Chen Liaohan (<i>Note (b)</i>)	–	111	5	–	116
Zhou Ruixin (<i>Note (c)</i>)	–	110	5	–	115
Yang Yi (<i>Note (d)</i>)	–	133	5	7,580	7,718
Liu Yao (<i>Note (e)</i>)	–	174	2	5,072	5,248
Jeffrey Robert Immelt (<i>Note (f)</i>)	–	–	–	351	351

Name	Fees	Basic salaries, housing fund, allowances and benefits in kind	Employer's contributions to a retirement benefit scheme	Share-based compensation	Total
	US\$	US\$	US\$	US\$	US\$
Scott David Sandell (Note (g))	40	–	–	–	40
Carmen I-Hua Chang (Note (h))	40	–	–	–	40
Gao Qing (Note (i))	40	–	–	–	40
Hong Jing (Note (j))	40	–	–	–	40
Total	160	660	22	30,398	31,240

Notes:

- (a) Mr. Wang Xueji founded Tuya in 2014 and currently serves as a director and chief executive officer.
- (b) Chen Liaohan co-founded Tuya in 2014 and currently serves as a director and president.
- (c) Zhou Ruixin co-founded Tuya in 2014 and has served as a chief technology officer since June 2014.
- (d) Yang Yi co-founded Tuya in 2014 and has served as a chief operation officer since May 2015.
- (e) Liu Yao has served as a senior vice president and chief financial officer since May 2019.
- (f) Jeffrey Robert Immelt has served as a director since March 2021.
- (g) Scott David Sandell served as a director between December 2014 and August 2017 and has been re-appointed as a director since April 2018.
- (h) Carmen I-Hua Chang has served as a director since December 2014.
- (i) Gao Qing has served as an observer on our Board of Directors since August 2017 and as a director since March 2021.
- (j) Hong Jing has served as a director since March 2021.

27. FIVE HIGHEST-PAID EMPLOYEES

The five highest-paid employees during the Track Record Period included the following number of directors and non-directors:

	For the Year Ended December 31,		
	2019	2020	2021
Directors	2	1	3
Non-directors	3	4	2
Total	5	5	5

Details of the remuneration for the Track Record Period of the five highest-paid employees who are non-directors (the "Non-director Individuals") were as follows:

	For the Year Ended December 31,		
	2019	2020	2021
Basic salaries, housing fund, allowances and benefits in kind	398	475	252
Employer's contributions to a retirement benefit scheme	12	8	10
Share-based compensation	1,195	1,771	6,826
Total	1,605	2,254	7,088

The number of Non-director Individuals whose remuneration fell within the following bands is as follows:

	For the Year Ended December 31,		
	2019	2020	2021
HK\$500,001 to HK\$1,000,000	–	–	–
HK\$1,000,001 to HK\$1,500,000	–	–	–
HK\$1,500,001 to HK\$2,000,000	–	–	–
HK\$2,000,001 to HK\$2,500,000	–	–	–
HK\$2,500,001 to HK\$3,000,000	1	–	–
HK\$3,000,001 to HK\$3,500,000	–	2	–
HK\$3,500,001 to HK\$4,000,000	–	–	–
HK\$4,000,001 to HK\$4,500,000	–	–	–
HK\$4,500,001 to HK\$5,000,000	1	–	–
HK\$5,000,001 to HK\$5,500,000	1	1	–
HK\$5,500,001 to HK\$6,000,000	–	1	–
HK\$7,000,001 to HK\$7,500,000	–	–	1
HK\$8,500,001 to HK\$9,000,000	–	–	–
HK\$11,000,001 to HK\$11,500,000	–	–	–
HK\$24,000,001 to HK\$24,500,000	–	–	–
HK\$25,000,001 to HK\$25,500,000	–	–	–
HK\$25,500,001 to HK\$26,000,000	–	–	–
HK\$35,500,001 to HK\$36,000,000	–	–	–
HK\$47,500,001 to HK\$48,000,000	–	–	1
Total	3	4	2

During the years ended December 31, 2019, 2020 and 2021, no remuneration was paid by the Group to any Directors or Non-director Individuals for loss of the office.

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

The consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRSs"). The effects of material differences between the Financial Information of the Group prepared under U.S. GAAP and IFRSs are as follows:

Consolidated Balance Sheet data	As of December 31, 2019							
	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
		Classification and measurement of preferred shares (Note(a))	Listing expenses (Note(b))	Operating leases (Note(c))	Share-based compensation (Note(d))	Expected credit loss (Note(e))	Long-term investments (Note(f))	
Operating lease right-of-use assets, net	8,658	-	-	(65)	-	-	-	8,593
Accounts receivable, net	5,351	-	-	-	-	(207)	-	5,144
Notes receivable	379	-	-	-	-	(2)	-	377
Prepayments and other current assets	8,008	-	-	-	-	-	-	8,008
Long-term investments	430	-	-	-	-	-	-	430
Other non-current assets	769	-	-	-	-	-	-	769
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Total assets	279,404	-	-	(65)	-	(209)	-	279,130
Financial liabilities at fair value through profit or loss	-	876,933	-	-	-	-	-	876,933
Total liabilities	55,830	876,933	-	-	-	-	-	932,763
Mezzanine equity	333,667	(333,667)	-	-	-	-	-	-
Accumulated deficit	(125,562)	(565,211)	-	(65)	(2,100)	(209)	-	(693,147)
Accumulated other comprehensive (loss)/income	(2,401)	18,515	-	-	-	-	-	16,114
Additional paid-in capital	17,869	3,430	-	-	2,100	-	-	23,399
Total shareholder's deficit	(110,093)	(543,266)	-	(65)	-	(209)	-	(653,633)

As of December 31, 2020

Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
		<i>Classification and measurement of preferred shares (Note(a))</i>	<i>Listing expenses (Note(b))</i>	<i>Operating leases (Note(c))</i>	<i>Share-based compensation (Note(d))</i>	<i>Expected credit loss (Note(e))</i>	<i>Long-term investments (Note(f))</i>	
Operating lease right-of-use assets, net	12,267	-	-	(180)	-	-	-	12,087
Accounts receivable, net	12,316	-	-	-	-	(236)	-	12,080
Notes receivable	9,126	-	-	-	-	(59)	-	9,067
Prepayments and other current assets	4,393	-	-	-	-	(7)	-	4,386
Long-term investments	920	-	-	-	-	-	-	920
Other non-current assets	1,729	-	(159)	-	-	-	-	1,570
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Total assets	267,323	-	(159)	(180)	-	(302)	-	266,682
Financial liabilities at fair value through profit or loss	-	2,893,045	-	-	-	-	-	2,893,045
Total liabilities	98,323	2,893,045	-	-	-	-	-	2,991,368
Mezzanine equity	333,667	(333,667)	-	-	-	-	-	-
Accumulated deficit	(192,474)	(2,582,300)	(159)	(180)	(5,492)	(302)	-	(2,780,907)
Accumulated other comprehensive income	481	19,492	-	-	-	-	-	19,973
Additional paid-in capital	27,315	3,430	-	-	5,492	-	-	36,237
Total shareholder's deficit	(164,667)	(2,559,378)	(159)	(180)	-	(302)	-	(2,724,686)

As of December 31, 2021

Consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
		<i>Classification and measurement of preferred shares (Note(a))</i>	<i>Listing expenses (Note(b))</i>	<i>Operating leases (Note(c))</i>	<i>Share-based compensation (Note(d))</i>	<i>Expected credit loss (Note(e))</i>	<i>Long-term investments (Note(f))</i>	
Operating lease right-of-use assets, net	22,181	–	–	(263)	–	–	–	21,918
Accounts receivable, net	32,701	–	–	–	–	(632)	–	32,069
Notes receivable	1,393	–	–	–	–	(49)	–	1,344
Prepayments and other current assets	27,882	–	(2,148)	–	–	(23)	–	25,711
Other non-current assets	1,818	–	–	–	–	(24)	–	1,794
Long-term investments	26,078	–	–	–	–	–	(25,583)	495
Financial assets at fair value through profit or loss	–	–	–	–	–	–	25,583	25,583
Total assets	1,248,150	–	(2,148)	(263)	–	(728)	–	1,245,011
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–
Total liabilities	134,489	–	–	–	–	–	–	134,489
Mezzanine equity	–	–	–	–	–	–	–	–
Accumulated deficit	(367,898)	(5,513,140)	(5,304)	(263)	(38,815)	(728)	357	(5,925,791)
Accumulated other comprehensive income	2,320	–	–	–	–	–	(357)	1,963
Additional paid-in capital	1,526,140	5,513,140	3,156	–	38,815	–	–	7,081,251
Total shareholder's equity/(deficit)	1,113,661	–	(2,148)	(263)	–	(728)	–	1,110,522

Year ended December 31, 2019

Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs	
	US\$	US\$ Classification and measurement of preferred shares (Note(a))	US\$ Listing expenses (Note(b))	US\$ Operating leases (Note(c))	US\$ Share-based compensation (Note(d))	US\$ Expected credit loss (Note(e))	US\$ Long-term investments (Note(f))	US\$	US\$
Research and development expenses	(52,003)	-	-	166	(286)	-	-	-	(52,123)
Sales and marketing expenses	(37,017)	-	-	75	(222)	-	-	-	(37,164)
General and administrative expenses	(12,196)	(1,938)	-	14	(843)	(88)	-	-	(15,051)
Other non-operating expenses, net	-	-	-	(63)	-	-	-	-	(63)
Other losses – net	-	(282,349)	-	-	-	-	-	-	(282,349)
Financial income/(loss), net	3,326	-	-	(257)	-	-	-	-	3,069
Net loss	(70,477)	(284,287)	-	(65)	(1,351)	(88)	-	-	(356,268)
Other comprehensive (loss)/income	(428)	9,547	-	-	-	-	-	-	9,119
Net comprehensive loss	(70,905)	(274,740)	-	(65)	(1,351)	(88)	-	-	(347,149)

Year ended December 31, 2020

Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		US\$	US\$ Classification and measurement of preferred shares (Note(a))	US\$ Listing expenses (Note(b))	US\$ Operating leases (Note(c))	US\$ Share-based compensation (Note(d))	US\$ Expected credit loss (Note(e))	US\$ Long-term investments (Note(f))
Research and development expenses	(77,430)	-	-	-	186	(806)	-	(78,050)
Sales and marketing expenses	(37,556)	-	-	-	85	(1,198)	-	(38,669)
General and administrative expenses	(17,868)	-	(159)	(159)	20	(1,388)	(93)	(19,488)
Other non-operating incomes, net	-	-	-	-	7	-	-	7
Other losses – net	-	(2,017,089)	-	-	-	-	-	(2,017,089)
Financial income/(loss), net	3,220	-	-	-	(413)	-	-	2,807
Net loss	(66,912)	(2,017,089)	(159)	(115)	(3,392)	(93)	-	(2,087,760)
Other comprehensive income	2,882	977	-	-	-	-	-	3,859
Net comprehensive loss	(64,030)	(2,016,112)	(159)	(115)	(3,392)	(93)	-	(2,083,901)

Year ended December 31, 2021

Consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
		US\$	US\$ Classification and measurement of preferred shares (Note(a))	US\$ Listing expenses (Note(b))	US\$ Operating leases (Note(c))	US\$ Share-based compensation (Note(d))	US\$ Expected credit loss (Note(e))	US\$ Long-term investments (Note(f))
Research and development expenses	(174,289)	-	-	-	394	(7,222)	-	-
Sales and marketing expenses	(75,384)	-	-	-	147	(3,542)	-	-
General and administrative expenses	(71,589)	-	(5,145)	(5,145)	30	(22,559)	(426)	-
Other non-operating incomes, net	1,958	-	-	-	96	-	-	-
Other losses – net	-	(2,950,675)	-	-	-	-	-	-
Financial income/(loss), net	7,286	-	-	-	(750)	-	-	357
Net loss	(175,424)	(2,950,675)	(5,145)	(5,145)	(83)	(33,323)	(426)	357
Other comprehensive income/(loss)	1,839	343	-	-	-	-	-	(357)
Net comprehensive loss	(173,585)	(2,950,332)	(5,145)	(5,145)	(83)	(33,323)	(426)	-

(a) Classification and measurement of preferred shares

Under U.S. GAAP, the preferred shares of the Company are accounted for as mezzanine equity. The Preferred Shares are recorded initially at fair value, net of issuance costs, and carried at the amount recorded at inception and no subsequent changes are needed.

Under IFRSs, the preferred shares, represent a financial liability with embedded features. The preferred shares are measured at fair value and designated as of fair value through profit or loss with issuance costs recorded in general and administrative expenses. The issuance costs are recorded in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the Company's own credit risk shall be presented in other comprehensive income; the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

Accordingly, the reconciliation includes a fair value loss difference of US\$282,349, US\$2,017,089 and US\$2,950,675, recognized in net loss attributable to the Company, a difference from change of the Company's own credit risk of US\$9,547, US\$977 and US\$343 in other comprehensive (loss)/income in the consolidated statements of comprehensive loss for each of the years ended December 31, 2019, 2020 and 2021 respectively and a difference of issuance cost of US\$1,938 in general and administrative expenses for the year ended December 31, 2019. The reconciliation also includes the difference between mezzanine equity under U.S. GAAP and financial instruments under IFRSs of US\$543,266, US\$2,559,378 and nil as of December 31, 2019, 2020 and 2021, respectively.

All the preferred shares of the Company were converted into ordinary shares upon the completion of IPO in March 2021. Consequently, there was no such reconciliation item in classification and measurement of preferred shares between U.S. GAAP and IFRSs subsequently.

(b) Listing expenses

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities ("listing expenses") may be deferred and capitalized against the gross proceeds of the offering.

Under IFRSs, only those listing expenses considered directly attributable to the issuance of new shares to investors can be capitalized. Those listing expenses considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of US\$159 and US\$2,997 for the years ended December 31, 2020 and 2021 and a difference in shareholders' deficit of US\$159 as of December 31, 2020 and a difference in additional paid-in capital of US\$3,156 as of December 31, 2021, in relation to the listing expenses incurred during the initial public offering and listing of the Company's ADSs in the United States in March 2021. The reconciliation also includes an expense recognition difference in the consolidated statements of comprehensive loss of US\$5,145 for the year ended December 31, 2021 and a in total shareholder (deficit)/equity of US\$2,148 in the consolidated balance sheet as of December 31, 2021 in relation to the listing expenses of the expected Hong Kong dual primary Listing in 2022.

(c) Operating leases

For operating leases under U.S. GAAP, the subsequent measurement of the lease liability is based on the present value of the remaining lease payments using the discount rate determined at lease commencement, while the right-of-use asset is remeasured at the amount of the lease liability, adjusted for the remaining balance of any lease incentives received, cumulative prepaid or accrued rents, unamortized initial direct costs and any impairment. This treatment under U.S. GAAP results in straight line expense being incurred over the lease term, as opposed IFRSs which generally yields a "front-loaded" expense with more expense recognized in earlier years of the lease.

Accordingly, the reconciliation includes an expenses difference recognized in the consolidated statements of comprehensive loss of US\$65, US\$115, US\$83 for each of the years ended December 31, 2019, 2020 and 2021, respectively. The reconciliation also includes a difference in total shareholders' (deficit)/equity of US\$65, US\$180 and US\$263 as of December 31, 2019, 2020 and 2021 respectively.

(d) Share-based compensation

The Group granted Share Options and Restricted Shares Units with service condition to employees and consultants who rendered services that are similar to those rendered by employees, and the share-based compensation expenses were recognized over the vesting period using straight-line method with election of no estimation of expected forfeitures under U.S. GAAP. While under IFRSs, the graded vesting method with forfeitures estimation must be applied. Accordingly, the reconciliation includes an expense recognition difference in the consolidated statements of comprehensive loss of US\$1,351, US\$3,392, and US\$33,323 for the years ended December 31, 2019, 2020 and 2021, respectively.

(e) Expected credit loss

Under current U.S. GAAP, a number of impairment models exist for various types of financial instruments not measured at fair value through net income. These models recognize impairments when losses have been incurred, as opposed to expected in the future. For loans, the overriding concept in U.S. GAAP is that impairment losses should be recognized when, based on all available information, it is probable that a loss has been incurred based on events and conditions existing at the date of the financial statements. Losses are not to be recognized before it is probable that they have been incurred, even though it may be probable or expected based on past experience that losses will be incurred in the future. For trade receivables, most entities use reserving matrices in which historical loss percentages are applied to the respective aging categories. Those historical loss percentages typically are not adjusted for future expectations. Receivables that are either current or not yet due do not generally have a reserve. For available for sale securities, entities generally record an impairment loss when the decline in fair value is "other than temporary."

IFRS 9 introduced an expected loss model for financial assets. While certain simplifications exist for trade receivables, notes receivables and other current assets, the general model applies to assets at amortized cost and FVOCI. Unlike current U.S. GAAP, the model is forward looking and incorporates historical information, current information, and reasonable and supportable forecasts of future conditions. The model contains three stages for measuring impairment losses based on the changes in credit quality of the instrument since inception. Stage 1 includes financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition or that have low credit risk at the reporting date. For these assets, an entity will typically record a 12-month Expected Credit Losses (ECL). It is not the expected cash shortfalls over the 12-month period, but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Stage 2 includes financial instruments that have had a SICR since initial recognition. For these assets, lifetime ECL is recognized, but interest revenue is still recognized on the gross carrying amount of the asset. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised and interest revenue is calculated on the net carrying amount. An entity is required to continually assess whether a SICR has occurred. The Group expects that there is no significant credit risk associated with other financial assets, such as cash and cash equivalents and time deposits, since they are substantially deposited at state-owned banks and other medium or large-sized listed banks.

Accordingly, the reconciliation includes an expenses recognized in the consolidated statements of comprehensive loss of US\$88, US\$93 and US\$426 for each of the years ended December 31, 2019, 2020 and 2021, respectively. The reconciliation also includes a decrease in assets of US\$209, US\$302 and US\$728 as of December 31, 2019, 2020 and 2021 respectively.

(f) Long-term Investments

The Group made a series of long-term investments in privately held companies (the "Investees") during the Track Record Period. From the Group's perspective, for those investments on which the Group has no significant influence, since those investments could not meet the definition of the equity instrument, and the contractual cashflow could not pass the Solely Payments of Principal and Interest (the "SPPI") test, thus under IFRSs they should be classified as financial assets measured at fair value through profit or loss; For remaining investments on which the Group has significant influence, since the Group has some special preferential rights over the equity investments, such as redemption rights, anti-dilution rights and etc., and distinguish the risks and rights of the Group from other ordinary shareholders, thus under IFRSs, the long-term investments are also classified as financial assets measured at fair value through profit or loss. However, under U.S. GAAP, all forementioned investments were classified as available-for-sale debt investments and were measured at fair value through other comprehensive income.

Accordingly, the reconciliation includes a reclassification between long-term investments and financial assets at fair value through profit or loss of US\$25,583 as of December 31, 2021. For the years ended December 31, 2021, the fair value changes of the Group's investments in these privately held companies were US\$357.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021.

APPENDIX IIA UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, and the Unaudited First Quarter 2022 Financial Information, as set out in Appendix I and IIB to this prospectus, respectively, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountant's Report and Unaudited First Quarter 2022 Financial Information set out in Appendix I and IIB to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules are set out below for the purpose of illustrating the effect of the Global Offering on the unaudited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 or at any future dates following the completion of the Global Offering. The unaudited pro forma adjusted net tangible assets attributable to shareholders of the Company are based on the unaudited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022, as shown in the Unaudited First Quarter 2022 Financial Information of the Group, the text of which is set out in Appendix IIB to this prospectus, and adjusted as described below.

	Unaudited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to ordinary shareholders of the Company	Unaudited pro forma net tangible assets per Share ⁽³⁾	
	US\$'000	US\$'000	US\$'000	US\$	HK\$
Based on an Offer Price of HK\$22.80 per Share	1,052,067	12,377	1,064,444	1.89	14.84

APPENDIX IIA UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The unaudited consolidated net tangible assets attributable to shareholders of the Company as of March 31, 2022 has been extracted from the Unaudited First Quarter 2022 Financial Information of the Group as set out in Appendix IIB to this prospectus which is based on the unaudited consolidated net assets attributable to shareholders of the Company as of March 31, 2022 of US\$1,052,067,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$22.80 per Share, after deduction of the underwriting fees and other related expenses payable by the Group (excluding listing expenses of approximately US\$0.3 million which have been charged to the consolidated statements of comprehensive loss prior to March 31, 2022) and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to 2015 Equity Incentive Plan.
- (3) The unaudited pro forma net tangible assets attributable to shareholders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 563,113,405 Shares were in issue assuming that the Global Offering had been completed on March 31, 2022 (for the purpose of this unaudited pro forma financial information excluding 5,433,895 Class A Ordinary Shares issued for future issuances upon the exercising or vesting of awards granted under the 2015 Equity Incentive Plan and 9,999,260 ADSs repurchased by the Company, representing 9,999,260 Class A Ordinary Shares) but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to 2015 Equity Incentive Plan.
- (4) For the purpose of this unaudited pro forma net tangible assets per Share, the amounts stated in United States dollars are converted into Hong Kong dollars at a rate of US\$1.00 to HK\$7.8494. No representation is made that United States dollars amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to March 31, 2022.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Tuya Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tuya Inc. (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as of March 31, 2022, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages IIA-1 to IIA-2 of the Company’s prospectus dated June 22, 2022, in connection with the proposed global offering of the shares of the Company (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IIA-1 to IIA-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed global offering on the Group’s financial position as of March 31, 2022 as if the proposed global offering had taken place at March 31, 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the three months ended March 31, 2022, on which a review report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at March 31, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, June 22, 2022

The following is the text of a report set out on pages IIB-1 to IIB-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. The information set out below is the unaudited interim financial information of the Group for the three months ended March 31, 2022, and does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TUYA INC. (INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

Introduction

We have reviewed the interim financial information set out on pages IIB-3 to IIB-35, which comprises the condensed consolidated balance sheet of Tuya Inc. (the “Company”) and its subsidiaries (together, the “Group”) as at March 31, 2022 and the condensed consolidated statement of comprehensive loss, the condensed consolidated statement of changes in shareholders’ equity and the condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory information. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted

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in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Other Matter

The comparative information for the condensed consolidated balance sheet is based on the audited financial statements as at December 31, 2021. The comparative information for the condensed consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows, and related explanatory notes, for the period ended March 31, 2021 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

June 22, 2022

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND MARCH 31, 2022

(All amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

		As of December 31, 2021 US\$	As of March 31, 2022 US\$ (Unaudited)
	<i>Note</i>		
ASSETS			
Current assets:			
Cash and cash equivalents		963,938	743,709
Restricted cash		638	1,129
Short-term investments	3	102,134	240,451
Accounts receivable, net	4	32,701	29,874
Notes receivable		1,393	2,659
Inventories, net	5	62,582	65,153
Prepayments and other current assets	6	27,882	23,883
Total current assets		<u>1,191,268</u>	<u>1,106,858</u>
Non-current assets:			
Property, equipment and software, net	7	6,805	6,365
Operating lease right-of-use assets, net	9	22,181	19,491
Long-term investments	8	26,078	27,714
Other non-current assets	6	1,818	1,789
Total non-current assets		<u>56,882</u>	<u>55,359</u>
Total assets		<u><u>1,248,150</u></u>	<u><u>1,162,217</u></u>
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities:			
Accounts payable	10	12,212	10,327
Advance from customers		31,088	31,736
Deferred revenue, current	12	9,254	8,474
Accruals and other current liabilities	11	50,847	31,707
Lease liabilities, current	9	5,697	5,607
Total current liabilities		<u>109,098</u>	<u>87,851</u>
Non-current liabilities:			
Lease liabilities, non-current	9	16,048	13,789
Deferred revenue, non-current	12	859	678
Other non-current liabilities	11	8,484	7,832
Total non-current liabilities		<u>25,391</u>	<u>22,299</u>
Total liabilities		<u><u>134,489</u></u>	<u><u>110,150</u></u>

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
AS OF DECEMBER 31, 2021 AND MARCH 31, 2022

(All amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

	<i>Note</i>	<u>As of December 31, 2021</u> US\$	<u>As of March 31, 2022</u> US\$ (Unaudited)
Shareholders’ equity:			
Class A ordinary shares (US\$0.00005 par value; 600,000,000 shares authorized as of December 31, 2021 and March 31, 2022, respectively; 491,846,560 shares issued as of December 31, 2021 and March 31, 2022; 480,241,752 and 476,413,405 shares outstanding as of December 31, 2021 and March 31, 2022 respectively)	15	25	25
Class B ordinary shares (US\$0.00005 par value; 200,000,000 shares authorized as of December 31, 2021 and March 31, 2022 respectively; 79,400,000 shares issued and outstanding as of December 31, 2021 and March 31, 2022 respectively)	15	4	4
Treasury stock (US\$0.00005 par value; 11,604,808 and 15,433,155 shares as of December 31, 2021 and March 31, 2022 respectively)		(46,930)	(66,235)
Additional paid-in capital		1,526,140	1,538,155
Accumulated other comprehensive income		2,320	2,969
Accumulated deficit		(367,898)	(422,851)
Total shareholders’ equity		<u>1,113,661</u>	<u>1,052,067</u>
Total liabilities and shareholders’ equity		<u>1,248,150</u>	<u>1,162,217</u>

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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

(Unaudited, all amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

		Three months Ended March 31,	
	<i>Note</i>	2021	2022
		<i>US\$</i>	<i>US\$</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	13	56,868	55,324
Cost of revenue		(33,485)	(32,504)
Gross profit		23,383	22,820
Operating expenses:			
Research and development expenses		(34,709)	(47,588)
Sales and marketing expenses		(16,412)	(15,278)
General and administrative expenses		(16,062)	(18,030)
Other operating incomes, net		2,523	2,594
Total operating expenses		(64,660)	(78,302)
Loss from operations		(41,277)	(55,482)
Other income/(loss)			
Other non-operating incomes, net		–	653
Financial income, net	14	1,095	121
Foreign exchange loss, net		(325)	(101)
Loss before income tax expense		(40,507)	(54,809)
Income tax expense	17	(26)	(144)
Net loss		(40,533)	(54,953)
Net loss attributable to Tuya Inc.		(40,533)	(54,953)

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(CONTINUED)**

FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022

(Unaudited, all amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

		Three months Ended March 31,	
	<i>Note</i>	2021	2022
		<i>US\$</i>	<i>US\$</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss attribute to ordinary shareholders		(40,533)	(54,953)
Net loss		(40,533)	(54,953)
Other comprehensive (loss)/income			
Foreign currency translation		(371)	649
Total comprehensive loss attributable to Tuya Inc.		<u>(40,904)</u>	<u>(54,304)</u>
Net loss attributable to Tuya Inc.		<u>(40,533)</u>	<u>(54,953)</u>
Net loss attributable to ordinary shareholders		<u>(40,533)</u>	<u>(54,953)</u>
Weighted average number of ordinary shares used in computing net loss per share, basic and diluted	18	268,165,312	556,808,050
Net loss per share attributable to ordinary shareholders – basic and diluted	18	(0.15)	(0.10)
Share-based compensation expenses were included in:			
Research and development expenses		3,845	4,130
Sales and marketing expenses		2,139	1,653
General and administrative expenses		10,798	11,873

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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

(Unaudited, all amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	Ordinary shares (US\$0.00005 par value)					
	Number of shares issued	Amount	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Total shareholders' equity
<i>Note</i>						
Balance as of December 31, 2020						
Issuance of ordinary shares upon Initial Public Offering and related over- allotment option, net of cost of issuance (unaudited)	221,980,000	11	27,315	481	(192,474)	(164,667)
Issuance of ordinary shares prior to Initial Public Offering (unaudited)	43,590,000	2	874,762	–	–	874,764
Conversion of redeemable preferred shares (unaudited)	16,026,282	1	199,999	–	–	200,000
Net loss (unaudited)	278,163,799	14	333,653	–	–	333,667
Foreign currency translation adjustment (unaudited)	–	–	–	–	(40,533)	(40,533)
Share-based compensation (unaudited)	–	–	–	(371)	–	(371)
			16,782	–	–	16,782
Balance as of March 31, 2021 (unaudited)	559,760,081	28	1,452,511	110	(233,007)	1,219,642

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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

(Unaudited, all amounts in US\$ thousands ("US\$"), except for share and per share data, unless otherwise noted)

	Ordinary shares (US\$0.00005 par value)		Treasury stock				Accumulated		Total
	Number of shares issued	Amount	Additional paid-in capital	Number of shares issued	Amount	other comprehensive income	deficit	equity	
		US\$	US\$		US\$	US\$	US\$	US\$	
Balance as of December 31, 2021									
Repurchase of ordinary shares	571,246,560	29	1,526,140	(11,604,808)	(46,930)	2,320	(367,898)	1,113,661	
(unaudited)									
Exercise of share option (unaudited)	-	-	-	(4,886,511)	(25,146)	-	-	(25,146)	
Net loss (unaudited)	-	-	(5,641)	1,058,164	5,841	-	-	200	
Foreign currency translation	-	-	-	-	-	-	(54,953)	(54,953)	
adjustment (unaudited)	-	-	-	-	-	649	-	649	
Share-based compensation (unaudited)	-	-	17,656	-	-	-	-	17,656	
Balance as of March 31, 2022									
(unaudited)	571,246,560	29	1,538,155	(15,433,155)	(66,235)	2,969	(422,851)	1,052,067	

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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

(Unaudited, all amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

	<i>Note</i>	Three months Ended March 31,	
		2021	2022
		<i>US\$</i> <i>(Unaudited)</i>	<i>US\$</i> <i>(Unaudited)</i>
Cash flows from operating activities:			
Net loss		(40,533)	(54,953)
Adjustments to reconcile net loss to net cash generated from operating activities:			
Share-based compensation		16,782	17,656
Depreciation and amortization of property, equipment and software	7	607	920
Amortization of right-of-use assets	9	1,584	1,549
Allowance for doubtful receivables	4	145	(118)
Inventory write-downs		235	(44)
Gain on disposal of property, equipment and software		–	(21)
Loss on foreign currency exchange rates		325	101
Fair value change on short-term and long-term investments	14	(115)	1,529
Changes in operating assets and liabilities:			
Accounts receivable		(1,420)	2,165
Notes receivable		(842)	(1,266)
Inventories		(2,994)	(2,527)
Prepayments and other current assets		(1,084)	804
Other non-current assets		(44)	29
Accounts payable		461	(1,885)
Advance from customers		(489)	648
Deferred revenue		2,507	(961)
Accruals and other payables		(6,090)	(19,140)
Lease liabilities		(1,690)	(1,208)
Other non-current liability		–	(652)
Net cash used in operating activities		(32,655)	(57,374)
Cash flows from investing activities:			
Payment for short-term investments		(130,310)	(168,547)
Proceeds from disposal of short-term investments		71,050	28,701
Purchase of property, equipment and software		(970)	(537)
Proceeds from disposal of property, equipment and software		–	78
Payment for long-term investments		–	(1,636)
Net cash used in investing activities		(60,230)	(141,941)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2022**

(Unaudited, all amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

	<i>Note</i>	Three months Ended March 31,	
		2021	2022
		<i>US\$</i> <i>(Unaudited)</i>	<i>US\$</i> <i>(Unaudited)</i>
Cash flows from financing activities:			
Proceeds from issuance of Class A ordinary shares upon Initial Public Offering and related over-allotment option, net of cost of issuance		877,541	–
Payment for repurchase of ordinary shares		–	(20,000)
Proceeds from issuance of ordinary shares prior to Initial Public Offering		200,000	–
Proceeds from exercise of share options		–	200
Payments of deferred professional costs		–	(1,951)
Net cash generated from/(used in) financing activities		1,077,541	(21,751)
Effect of exchange rate changes on cash and cash equivalents, restricted cash		(684)	1,328
Net increase/(decrease) in cash and cash equivalents, restricted cash		983,972	(219,738)
Cash and cash equivalents, restricted cash at the beginning of period		158,955	964,576
Cash and cash equivalents, restricted cash at the end of period		1,142,927	744,838
Supplemental cash flow disclosures			
Cash paid for income tax		(26)	(116)

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

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

(Unaudited, all amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

	As of December 31,	As of March 31,
	2021	2022
	<i>US\$</i>	<i>US\$</i> <i>(Unaudited)</i>
Cash and cash equivalents	963,938	743,709
Restricted cash	638	1,129
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	964,576	744,838

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, all amounts in US\$ thousands (“US\$”), except for share and per share data, unless otherwise noted)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES**(a) Principal Activities**

Tuya Inc. (the “Company”) was incorporated under the laws of the Cayman Islands on August 28, 2014, as an exempted company with limited liability. The Company and its subsidiaries and consolidated variable interest entity (“VIE”) (collectively referred to as the “Group”) are principally engaged in offering PaaS (Platform-as-a-Service) to business customers developing IoT (Internet of Things) devices, including brands and their OEMs (original equipment manufacturer). Also, the Group offers Industry SaaS (Software-as-a-Service) and cloud-based value-added services to its customers. The Group also sells finished smart devices powered by Tuya purchased from qualified OEMs (the “Smart device distribution”).

(b) History of the Group

Prior to the incorporation of Tuya Inc. in August 2014, the Group commenced its initial operations through Hangzhou Tuya Technology Co., Ltd. (“Hangzhou Tuya Technology”), which was established on June 16, 2014 by Wang Xueji and another individual. After a series of agreements, Hangzhou Tuya Technology was owned by Wang Xueji and other four individuals (collectively, the “Registered Shareholders”) together with two unrelated investors of Series Angel financing (the “Non-Registered Shareholders VIE Investors”) by August 2014. In December 2014, Hangzhou Tuya Information Technology Co., Ltd. (“the WFOE”) was established after the incorporation of Tuya Inc. The Group then entered into a series of contractual arrangements among the WFOE, Hangzhou Tuya Technology and Hangzhou Tuya Technology’s shareholders in December 2014, and thereafter Hangzhou Tuya Technology (the “VIE”) became the variable interest entity of the Group. The VIE was controlled by Wang Xueji before and after this transaction. After the completion of this transaction, the Group’s condensed consolidated financial statements include the financial statements of the Company, its subsidiaries and the consolidated VIE. In 2019, the VIE agreements were amended and restated, which amended the VIE’s shareholders list and equity interest of each shareholder as a result of the change in registered share capital of the VIE and exit of Non-Registered Shareholders VIE Investors as the VIE’s shareholders. All rights and obligations, clause, and terms regarding VIE accounting and consolidation basis remained the same. The VIE continues to be under Wang Xueji’s control during the periods presented.

The VIE operated de minimis business activities and had no material impact on the Company’s financial position, results of operations or cash flows for the three months ended March 31, 2021 and 2022.

(c) COVID-19 impact and liquidity

For the three months ended March 31, 2021 and 2022, the Group’s financial performance was not significantly impacted by COVID -19. Though the duration of and the extent to which this pandemic impacts the Group’s results will depend on future developments, which are highly uncertain and cannot be predicted at this time. Based on the assessment on the Group’s liquidity and financial positions, the Group believes that its current cash and cash equivalents and short-term investments will be sufficient to enable it to meet its anticipated working capital requirements and capital expenditures for at least the next 12 months from the date the condensed consolidated financial statements are issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Principles of Consolidation and Basis of Presentation**

The interim unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The interim unaudited condensed consolidated financial statements have been prepared on the same basis as the annual audited consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for the fair statement of results for the periods presented, have been included. The results of operations of any interim period are not necessarily indicative of the results of operations for the full year or any other interim period.

The comparative year-end condensed balance sheet data was derived from the annual audited consolidated financial statements, but is condensed to the same degree as the interim condensed balance sheet data.

The interim unaudited condensed consolidated financial statements and related disclosures have been prepared with the presumption that users have read or have access to the annual audited consolidated financial statements for the preceding fiscal year.

The preparation of interim unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.2 New Accounting Standards

Adoption of New Accounting Standards

Accounting Standards Update (“ASU”) 2021-10, Government Assistance: Disclosures by Business Entities about Government Assistance. In November 2021, the Financial Accounting Standards Board (“FASB”) issued an accounting standards update requiring entities to provide certain disclosures in annual period financial statements for those transactions with governments that are accounted for by applying a grant or contribution accounting model via analogy to other applicable accounting standards. We are assessing the effect on our annual consolidated financial statement disclosures; however, adoption will not impact our condensed consolidated balance sheets or income statements.

We also adopted the following ASUs during 2022, none of which had a material impact to our consolidated financial statements or financial statement disclosures:

ASU		Effective Date
2021-04	Issuer’s Accounting for Certain Modifications or Exchanges of Warrants	January 1, 2022
2021-05	Lessors – Certain Leases with Variable Lease Payments	January 1, 2022
2021-08	Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	January 1, 2022

Accounting Standards Issued But Not Yet Adopted

ASU 2022-02, Financial Instruments – Credit Losses, Troubled Debt Restructurings and Vintage Disclosures. In March 2022, the FASB issued a new accounting standard that eliminates the troubled debt recognition and measurement guidance. The new standard requires that an entity apply the loan refinancing and restructuring guidance in ASC 310 to all loan modifications and/or receivable modifications. It also enhances disclosure requirements for certain refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requires disclosure of current-period gross charge-offs by year of origination in the vintage disclosure. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. We are assessing the effect of the new standard on our consolidated financial statements and disclosures.

All other ASUs issued but not yet adopted were assessed and determined to be either not applicable or are not expected to have a material impact to our condensed consolidated financial statements or financial statement disclosures.

3. SHORT-TERM INVESTMENT

	As of December 31, 2021 US\$	As of March 31, 2022 US\$ (Unaudited)
Time deposits	97,510	237,337
Equity securities with readily determinable fair value (1)	4,624	3,114
Total short-term investments	<u>102,134</u>	<u>240,451</u>

(1) Starting from July 2021, the Group, from time to time, invested in ordinary shares of a listed company and disposed of portion of the investments. In the three months ended March 31, 2022, the Group recorded unrealized investment loss in fair value of US\$1,529 (unaudited) in the condensed consolidated statements of comprehensive loss. There were no disposals of equity securities during the three months ended March 31, 2022.

4. ACCOUNTS RECEIVABLE, NET

	As of December 31, 2021 US\$	As of March 31, 2022 US\$ (Unaudited)
Accounts receivable, gross	34,345	31,407
Less: allowance for doubtful accounts	(1,644)	(1,533)
Total accounts receivable, net	<u>32,701</u>	<u>29,874</u>

The Group recorded the allowance for doubtful accounts of US\$145 (unaudited) and a reverse of allowance of US\$118 (unaudited) for the three months ended March 31, 2021 and 2022, respectively.

An aging analysis based on relevant invoice dates is as follows:

	As of December 31, 2021 US\$	As of March 31, 2022 US\$ (Unaudited)
0-3 months	29,962	23,046
3-6 months	1,279	5,048
6-12 months	1,444	1,740
Over 1 year	1,660	1,573
Total accounts receivable, gross	<u>34,345</u>	<u>31,407</u>

5. INVENTORIES, NET

Inventories consist of the following:

	As of December 31, 2021	As of March 31, 2022
	<i>US\$</i>	<i>US\$ (Unaudited)</i>
Raw materials	55,845	57,873
Work in process	3,359	3,696
Finished goods	5,958	6,117
Low value consumables and spare parts	145	159
Less: inventory write-downs	(2,725)	(2,692)
Total inventories, net	<u>62,582</u>	<u>65,153</u>

6. PREPAYMENTS AND OTHER ASSETS

The current and non-current portions of prepayments and other assets consist of the following:

	As of December 31, 2021	As of March 31, 2022
	<i>US\$</i>	<i>US\$ (Unaudited)</i>
Prepayments and other current assets		
Advance to suppliers	12,529	10,169
Prepayment for share repurchase (1)	10,355	5,091
Deferred professional costs	3,049	5,591
VAT recoverable (2)	621	1,276
Rental deposits	438	594
Receivables from third party payment platforms	175	228
Interest receivable	123	553
Others	592	381
Total prepayments and other current assets	<u>27,882</u>	<u>23,883</u>
Other non-current assets		
Rental deposits	<u>1,818</u>	<u>1,789</u>

(1) As of December 31, 2021 and March 31, 2022, prepayment for share repurchase represented the advanced payment by the Group to a bank engaged by the Group for the Share Repurchase Program (Note 15).

(2) VAT recoverable represented the balances that the Group can utilize to deduct its VAT liabilities within the next 12 months.

7. PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software consist of the following:

	As of December 31,	As of March 31,
	2021	2022
	<i>US\$</i>	<i>US\$</i> <i>(Unaudited)</i>
Cost:		
Leasehold improvements	3,092	3,324
Computers and electronic equipment	8,539	8,753
Office equipment	437	257
Software	612	653
Total cost	12,680	12,987
Less: Accumulated depreciation and amortization	(5,875)	(6,622)
Total property, equipment and software, net	<u>6,805</u>	<u>6,365</u>

Depreciation expense was US\$607 (unaudited) and US\$920 (unaudited) for the three months ended March 31, 2021 and 2022, respectively.

8. LONG-TERM INVESTMENT

	As of December 31,	As of March 31,
	2021	2022
	<i>US\$</i>	<i>US\$</i> <i>(Unaudited)</i>
Investments in available-for-sale debt securities <i>(1)</i>	25,583	27,217
Investment in an equity security with readily determinable fair values	495	497
Total long-term investments	<u>26,078</u>	<u>27,714</u>

- (1) As of December 31, 2021 and March 31, 2022 the balance represents the Group's shareholding interests of several privately held companies. In March 2022, the Group acquired a shareholding interest in a privately held company with a cash consideration of RMB10,000 thousand (unaudited) (equivalent to US\$1,575 (unaudited)).

For all of the above-mentioned investments, as the Group has the right to request each investee to redeem the Group's investments at the Group's investment cost plus the interest if the investee fails to meet certain predetermined conditions, the redeemable shares of the investees purchased by the Group were classified as an available-for-sale debt investments and were measured at their fair value.

9. OPERATING LEASES

The Company has operating leases primarily for office and operation space. The Company's operating lease arrangements have remaining terms of one year to five years with no variable lease costs.

Operating lease costs were US\$1,801 (unaudited) and US\$1,880 (unaudited) for the three months ended March 31, 2021 and 2022, respectively.

The components of lease expenses were as follows:

	Three months Ended March 31,	
	2021	2022
	<i>US\$</i>	<i>US\$</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Lease cost:		
Amortization of right-of-use assets	1,584	1,549
Interest of lease liabilities	139	250
Expenses for short-term lease within 12 months	78	81
Total lease cost	<u>1,801</u>	<u>1,880</u>

Supplemental cash flow information related to leases are as follows:

	Three months Ended March 31,	
	2021	2022
	<i>US\$</i>	<i>US\$</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash paid for amounts included in the measurement of lease liabilities:	1,807	1,428
Right-of-use assets obtained in exchange for operating lease liabilities	1,186	356

Supplemental condensed consolidated balance sheet information related to leases are as follows:

	As of December 31,	As of March 31,
	2021	2022
	<i>US\$</i>	<i>US\$</i>
		<i>(Unaudited)</i>
Right-of-use assets	22,181	19,491
Operating lease liabilities – current	5,697	5,607
Operating lease liabilities – non-current	<u>16,048</u>	<u>13,789</u>
Total lease liabilities	<u>21,745</u>	<u>19,396</u>
Weighted-average remaining lease term		
Operating leases	3.81 years	3.51 years
Weighted-average discount rate		
Operating lease	4.75% per annum	4.75% per annum

Maturities of lease liabilities were as follows:

	As of December 31, 2021	As of March 31, 2022
	US\$	US\$ (Unaudited)
2022	6,722	5,059
2023	6,652	6,435
2024	4,909	4,503
2025	4,888	4,472
2026	646	653
2027	5	5
Total undiscounted lease payments	23,822	21,127
Less: imputed interest	(2,077)	(1,731)
Total lease liabilities	<u>21,745</u>	<u>19,396</u>

10. ACCOUNTS PAYABLE

	As of December 31, 2021	As of March 31, 2022
	US\$	US\$ (Unaudited)
Total accounts payable	<u>12,212</u>	<u>10,327</u>

Supplemental condensed consolidated balance sheet information related to accounts payable are as follows:

	As of December 31, 2021	As of March 31, 2022
	US\$	US\$ (Unaudited)
0-3 months	11,493	9,466
3-6 months	209	281
6-12 months	215	110
Over 1 year	295	470
Total accounts payable	<u>12,212</u>	<u>10,327</u>

11. ACCRUALS AND OTHER LIABILITIES

The current and non-current portions of accruals and other liabilities consist of the following:

	As of December 31, 2021	As of March 31, 2022
	US\$	US\$ (Unaudited)
Accruals and other current liabilities		
Salary and welfare payable	30,597	15,690
Professional service fee payables	5,558	5,560
Cloud infrastructure and IT related services fee payables	3,110	3,314
Payment from depositary bank, current (2)	2,611	2,611
Advertising and promotion fee payables	4,172	1,257
Tax payables	1,796	1,127
Sales return allowances	709	529
Membership fee to be refunded (1)	471	284
Product warranty	339	273
Others	1,484	1,062
Total accruals and other current liabilities	<u>50,847</u>	<u>31,707</u>
Other non-current liabilities		
Payment from depositary bank, non-current (2)	<u>8,484</u>	<u>7,832</u>
Total accruals and other liabilities	<u>59,331</u>	<u>39,539</u>

(1) Membership fee to be refunded presents the balances of refundable membership fee collected by the Group from its customers under the 2019 Membership Program (Note 12).

(2) The Company received reimbursement payment of US\$13,053 from a depositary bank in April 2021. The amount was recorded ratably as other non-operating income over a five-year arrangement period. For the three months ended March 31, 2022, the Company recorded US\$653 (unaudited) in other non-operating income in the condensed consolidated statements of comprehensive loss.

12. DEFERRED REVENUE

	As of December 31, 2021	As of March 31, 2022
	US\$	US\$ (Unaudited)
Deferred Revenue		
– Cloud-based connectivity and basic IoT services (1)	2,669	2,376
– Membership (2)	3,473	2,818
– SaaS (3)	3,971	3,958
Total deferred revenue	<u>10,113</u>	<u>9,152</u>

(1) Deferred cloud-based connectivity and basic IoT services related revenue

Deferred cloud-based connectivity and basic IoT services related revenue represents the Group's provision of cloud-based connectivity obligation and basic IoT services to customers.

	Three months Ended March 31,	
	2021	2022
	US\$	US\$
	(Unaudited)	(Unaudited)
Beginning balances	2,058	2,669
Deferral of revenue	626	345
Recognition of deferred revenue	(297)	(638)
Ending balances	2,387	2,376

(2) Deferred Revenue – Membership

The Group started a membership program (the “2019 Membership Program”) in the fourth quarter of 2019. In the 2019 Membership Program, customers pay a fixed fee in exchange for IoT PaaS discount, VIP technical support, valued added services (“VAS” i.e., customized app development), and free participation in promotional activities. The promise to provide for technical support related services, the promotion related services and VAS are considered immaterial promises in the contract and are not considered distinct performance obligations. The membership fee is refundable if the volume requirements are met when the membership period ends. The Group historically generally refunds the membership fees even if the volume requirements are not met. Therefore, the Group does not expect being able to keep any of the membership fees and such fees are recorded as a refund liability under the 2019 Membership Program.

The Group launched a new membership program (the “2020 Membership Program”) in the fourth quarter of 2020. In the 2020 Membership Program, customers pay a non-refundable fixed fee in exchange for member-exclusive IoT PaaS discounts within the membership period of typically 12 months. The Group records the upfront fixed membership fee as a deferred revenue and recognizes revenue on a straight-line basis typically over the 12-month membership period in which customers entitle to the membership.

Deferred Revenue – Membership represents the Group's remaining performance obligation performed over the period of time under its 2020 Membership Program.

	Three months Ended March 31,	
	2021	2022
	US\$	US\$
	(Unaudited)	(Unaudited)
Beginning balances	1,077	3,473
Deferral of revenue	2,518	1,225
Recognition of deferred revenue	(728)	(1,880)
Ending balances	2,867	2,818

(3) Deferred Revenue – SaaS

Deferred Revenue – SaaS mainly represents the Group’s remaining performance obligation in providing industry SaaS services over the period of time.

	Three months Ended March 31,	
	2021	2022
	<i>US\$</i>	<i>US\$</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Beginning balances	1,040	3,971
Deferral of revenue	753	1,737
Recognition of deferred revenue	(365)	(1,750)
Ending balances	<u>1,428</u>	<u>3,958</u>

13. REVENUE

The Group’s revenue was disaggregated by its major revenue streams in the three months presented as follows:

	Three months Ended March 31,	
	2021	2022
	<i>US\$</i>	<i>US\$</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
IoT PaaS	49,778	41,774
Smart device distribution	4,758	7,797
SaaS and others	<u>2,332</u>	<u>5,753</u>
Total revenue	<u>56,868</u>	<u>55,324</u>

Remaining performance obligations

The remaining performance obligations primarily relate to the Group’s provision of i) cloud-based connectivity and basic IoT services; ii) membership services; and iii) SaaS and others, and all three of them are included in deferred revenue.

The amounts allocated to the cloud-based connectivity and basic IoT services are deferred and recognized on a straight-line basis over the estimated IoT PaaS product’s life cycle. The Group apportions deferred revenue between current and non-current based upon cloud-based connectivity and basic IoT services to be provided over the life cycle of smart devices. Deferred revenue relating to the Group’s cloud services that have an expiration date of less than 12 months are classified as current, otherwise non-current.

Starting from the fourth quarter of 2020, there are i) upfront fixed membership fee received and recorded as deferred revenue, and recognized as revenue on a straight-line basis typically over the 12-month membership period in which customers are entitled to the membership; and ii) amounts related to providing industry SaaS (included in SaaS and others), for which, the Company generally charges an annual subscription fee, which is deferred and recognized on a straight-line basis typically over the 12-month service period.

As of December 31, 2021 and March 31, 2022, the aggregate amount of transaction price allocated to the remaining performance obligations was US\$10,113 and US\$9,152 (unaudited), respectively, of which US\$9,254 and US\$8,474 (unaudited) were recorded in current deferred revenue while US\$859 and US\$678 (unaudited) were recorded in non-current deferred revenue, respectively.

The Group’s contract liability, including both deferred revenue and the advance from customers, is US\$41,201 and US\$40,888 (unaudited) as of December 31, 2021 and March 31, 2022, respectively.

The Group applies the practical expedient to omit disclosure of information about the transaction price allocated to remaining performance obligations and when revenue will be recognized, for contracts with durations of one year or less. The remaining amounts recorded in non-current deferred revenue of US\$859 and US\$678 (unaudited) as of December 31, 2021 and March 31, 2022, respectively, would likely be recognized within 18 to 36 months.

The Group provides warranty for IoT PaaS and smart device distribution mainly for one year. The Group accrues a warranty reserve for all IoT PaaS and smart device distribution, which represents the Group's best estimate of the projected costs to repair or replace items under warranties. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty reserve when the Group accumulates more actual data and experience in the future. The warranty reserve is included within accruals and other liabilities in the consolidated balance sheets.

14. FINANCIAL INCOME, NET

	Three months Ended March 31,	
	2021	2022
	US\$	US\$
	(Unaudited)	(Unaudited)
Realized interest income and investment income	980	1,683
Fair value change of short-term investments	115	(1,529)
Others	—	(33)
Total financial income, net	1,095	121

15. ORDINARY SHARES

On August 30, 2021, the Company's board of directors authorized a share repurchase program under which the Company may repurchase up to US\$200 million of American depositary shares ("ADSs") each representing one Class A ordinary shares during a twelve-month period (collectively, the "Share Repurchase Program"). The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. In the three months ended March 31, 2022 (unaudited), the Company repurchased total 4,886,511 ADSs representing 4,886,511 of Class A ordinary shares under the Share Repurchase Program at a weighted average price of US\$5.15 per ADS. The remaining authorized amount under the Share Repurchase Program is US\$121 million.

As of March 31, 2022 (unaudited), the Company had in aggregate of 491,846,560 Class A ordinary shares issued and 476,413,405 shares Class A outstanding, at a par value of US\$0.00005. As of March 31, 2022 (unaudited), the Company had in aggregate of 79,400,000 Class B ordinary shares issued and outstanding, at a par value of US\$0.00005.

Immediately prior to the completion of the IPO, all classes of Preferred Shares of the Company were converted to ordinary shares upon completion of the IPO. As of December 31, 2021 and March 31, 2022, the balance of Preferred Shares is nil.

16. SHARE-BASED COMPENSATION

In December 2014, the board of directors of the Company adopted the Company's 2015 Equity Incentive Plan ("the 2015 Plan") and reserved 31,918,690 ordinary shares for issuance under the Plan to grant share-based awards, including restricted shares and share options, to its service providers, defined as the Company's global employees, director and external consultants. In July 2020, the 2015 Plan was modified to allow the Company with the intentions of i) providing for the award of restricted stock units ("RSUs") under the Plan and ii) amending the exercise price of certain outstanding share options held by certain optionees located outside of the U.S. to purchase ordinary shares of the Company (the "Share Option repricing"), and the number of ordinary shares reserved for the 2015 Plan was modified to 60,778,005 (adjusted in accordance with the Share Split). As of December 31, 2020, the Company had

not granted any RSUs to anyone yet, neither had the Company entered any repricing agreement with the optionee under the 2015 Plan yet. As of December 31, 2020, the Company had not granted any restricted shares to anyone yet, except that the part of the ordinary shares issued to the Registered Shareholders with restricted conditions from December 2014 to 2018 was considered as shared based compensation, see below Registered Shareholders' Restricted Shares.

Since adoption of the 2015 Plan, the Company granted options to its global employees, director and external consultants. All options granted have a contractual term of ten years from the grant date, and the vest over a period of four years of continuous service. The share options granted to PRC employee grantee shall become fully vested under the same service conditions and vesting schedule and, to the extent permissible under applicable law, exercisable upon the occurrence of a Change in Control (as defined in the 2015 Plan).

The Company accounts for share-based compensation costs (based on the fair value as of the respective grant date) on a straight-line bases over the requisite service period for each award.

In January 2021, the Company entered into agreements with certain optionees under the 2015 Plan to amend the exercise price of certain outstanding share options held by these optionees located outside of the U.S. to purchase ordinary shares of the Company. As a result of this share option repricing, the Company recorded incremental share-based compensation expense of US\$4,102 (unaudited) and US\$389 (unaudited) in its condensed consolidated financial statements for the three months ended March 31, 2021 and 2022, and estimated approximately US\$2,326 (unaudited) to be amortized over the remaining requisite service period for the optionees till year ended December 31, 2024.

On February 21, 2021, the 2015 Plan was amended to increase the number of ordinary shares available and reserved for issuance under the 2015 Plan to 76,778,005 ordinary shares, which was approved by the board of directors of the Company and the shareholders of the Company.

On February 25, 2021, the board of directors of the Company approved further amendment to the 2015 Plan, which provides that starting on January 1, 2022, on the first day of each fiscal year thereafter, the total number of shares available for issuance under the 2015 Plan was increased by an amount equal to the least of (i) 2% of the aggregate number of shares of all classes of ordinary shares of the Company's issued and outstanding on the last day of the immediately preceding fiscal year and (ii) such number of shares as determined by the board of directors.

The Company granted 14,660,000 (unaudited) and 1,045,000 (unaudited) new share options with four-year requisite service period to its employees and non-employees for the three months ended March 31, 2021 and 2022, respectively. As of December 31, 2021 and March 31, 2022, 59,961,539 and 59,258,375 (unaudited) options were outstanding under the 2015 Plan.

Starting from June 2021, the Company granted RSUs under the 2015 Plan. The Company granted 2,479,500 (unaudited) RSUs with four-year requisite service period to its employees and non-employees for the three months ended March 31, 2022. As of December 31, 2021 and March 31, 2022, 3,050,000 and 5,263,500 (unaudited) RSUs were outstanding under the 2015 Plan, respectively.

APPENDIX IIB UNAUDITED FIRST QUARTER 2022 FINANCIAL INFORMATION

Share Options

The following table sets forth the share options activity for the three months ended March 31, 2021 (unaudited) and 2022 (unaudited):

	Number of shares	Weighted average exercise price per share	Weighted average grant date fair value per share	Weighted average remaining contractual term	Aggregate intrinsic value US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Outstanding as of January 1, 2021	48,740,000	0.33	1.05	7.02	591,879
Granted	14,660,000	0.24	12.83		
Forfeited	(512,000)	0.53	3.83		
Outstanding as of March 31, 2021	<u>62,888,000</u>	<u>0.31</u>	<u>3.78</u>	<u>7.47</u>	<u>1,309,780</u>
Outstanding as of January 1, 2022	59,961,539	0.17	4.40	6.95	364,287
Granted	1,045,000	0.20	5.27		
Exercised	(1,058,164)	0.15	0.98		
Forfeited	(690,000)	0.74	9.81		
Outstanding as of March 31, 2022	<u>59,258,375</u>	<u>0.17</u>	<u>4.42</u>	<u>6.75</u>	<u>165,399</u>

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the estimated fair value of the underlying stock at each reporting date (December 31, 2021: US\$374,760, March 31, 2022: US\$175,405 (unaudited)).

The Group uses the Binominal option pricing model to estimate the fair value of stock options. The assumptions used to value the Company's options grants were as follow:

	Three months Ended March 31,	
	2021	2022
	(Unaudited)	(Unaudited)
Exercise price (US Dollar)	0.2~2.88	0.2
Exercise multiple	2.2~2.8	2.2
Risk-free interest rate	1.13%~1.50%	1.92%
Expected term (in years)	10	10
Expected dividend yield	—	—
Expected volatility	50.40%~50.50%	55.68%
Expected forfeiture rate (post-vesting)	2.96%~5.83%	5.83%
Fair value of the underlying shares on the date of options grants (US Dollar)	12.48	5.46
Fair value of share option (US Dollar)	9.95~14.26	5.27

As of March 31, 2022, there were US\$178,244 (unaudited) of unrecognized share-based compensation expenses related to share options granted by the Company, which were expected to be recognized over a weighted-average vesting period of 1.45 years (unaudited), respectively.

Restricted Share Units:

The following table sets forth the service-based RSUs activity for the three months ended March 31, 2022 (unaudited):

	Number of shares	Weighted average grant date fair value per share
Outstanding as of December 31, 2021	3,050,000	8.80
Granted (unaudited)	2,479,500	5.46
Forfeited (unaudited)	(266,000)	8.48
Outstanding as of March 31, 2022 (unaudited)	5,263,500	7.24

As of March 31, 2022, there were US\$33,908 (unaudited) of unrecognized share-based compensation expenses related to RSUs granted by the Company, which were expected to be recognized over a weighted-average vesting period of 3.57 years (unaudited).

Registered Shareholders' Restricted Shares

On December 23, 2014, in connection with the issuance of Series A Preferred Shares, the Registered Shareholders (also as the key member of management) agreed to place 200,000,000 ordinary shares, which were previously issued to them in August 2014, into escrow to be released back to them if specified service condition are met (defined as "Registered Shareholders' Restricted Shares"), which was 25% of the Registered Shareholders' Restricted Shares were immediately vested and the remaining 75% of the Registered Shareholders' Restricted Shares shall be vested annually in equal instalments over the next four years. The Company had the right to repurchase these Registered Shareholders' Restricted Shares at par value of ordinary share if the service condition requisite was not satisfied. Pursuant to ASC 718-10-S99, such escrowed share arrangements are presumed to be compensatory and equivalent to a reverse stock split followed by the grant of restricted stock. Accordingly, the 75% of the Registered Shareholders' Restricted Shares that were subject to the service condition were considered shared based compensation.

The fair value of the Registered Shareholders' Restricted Shares was determined at its grant date (December 23, 2014) by the Company and was amortized over the four-year vesting period on straight line basis. By December 2018, all the Registered Shareholders' Restricted Shares were fully vested with total related share-based compensation expenses of US\$11,797, which was recorded as expenses before the periods presented and included in the balance of accumulated losses of the Group as of January 1, 2019.

17. INCOME TAXES**Cayman Islands**

Under the current tax laws of Cayman Islands, the Company is not subject to income, corporation or capital gains tax, and no withholding tax is imposed upon the payment of dividends.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Group's subsidiaries in Hong Kong are subject to 16.5% Hong Kong profit tax on its taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

PRC***PRC Enterprise Income Tax (“EIT”)***

On March 16, 2007, the National People’s Congress of PRC enacted the Enterprise Income Tax Law (the “new CIT Law”), under which foreign invested enterprises (“FIEs”) and domestic companies would be subject to enterprise income tax (“EIT”) at a uniform rate of 25%. The new CIT law became effective on January 1, 2008. In accordance with the implementation rules of EIT Law, a qualified “High and New Technology Enterprise” (“HNTE”) is eligible for a preferential tax rate of 15%. The HNTE certificate is effective for a period of three years. An entity could re-apply for the HNTE certificate when the prior certificate expires.

The WFOE (Hangzhou Tuya Information Technology Co., Ltd.) obtained its HNTE certificate with a valid period of three years in 2018. Therefore, the WFOE is eligible to enjoy a preferential tax rate of 15% from 2018 to 2020 to the extent it has taxable income under the EIT Law, as long as it maintains the HNTE qualification and duly conducts relevant EIT filing procedures with the relevant tax authority. As of March 31, 2022, the renewal application of the WFOE’s HNTE qualification was completed and the WFOE continues qualifying as an HNTE and is entitled to enjoy the 15% beneficial tax rate for the years ended December 31, 2022, 2023 and 2024.

PRC Withholding Income Tax on Dividends

The EIT Law also provides that an enterprise established under the laws of a foreign country or region but whose “de facto management body” is located in the PRC be treated as a resident enterprise for PRC tax purposes and consequently be subject to the PRC income tax at the rate of 25% for its global income. The implementing Rules of the EIT Law merely define the location of the “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting, properties, etc., of a non-PRC company is located.”

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong can be subject to withholding tax at a rate of no more than 5% if the immediate holding company in Hong Kong owns directly at least 25% of the shares of the FIE and could be recognized as a Beneficial Owner of the dividend from PRC tax perspective.

As of December 31, 2021 and March 31, 2022 (unaudited), the Company did not record any withholding tax on the retained earnings of its subsidiaries and the VIE in the PRC as the Group does not have any plan to require its PRC subsidiaries and the VIE to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC.

United States

The Company’s subsidiary in California, United States is subject to U.S. federal corporate tax and California corporate franchise tax on its taxable income as reported in its financial statements adjusted in accordance with relevant U.S. tax laws. The applicable U.S. federal corporate tax rate is 21% and the California corporate franchise tax rate is 8.84% or minimum of US\$0.8, whatever is larger in 2021 and 2022.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to: (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax (“AMT”) and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax (“BEAT”), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss carry-forwards created in tax years beginning after December 31, 2017. The Company assessed the impact of Tax Act and concluded that it was not material to the Company.

As the Group incurred income tax expense mainly from PRC tax jurisdictions, the following information is based mainly on PRC income taxes.

Composition of income tax expense

The components of loss before tax are as follow:

	Three months Ended March 31,	
	2021	2022
	US\$	US\$
	(Unaudited)	(Unaudited)
Loss before tax		
Loss from PRC entities	33,261	51,505
Loss from overseas entities	7,246	3,304
Total loss before tax	40,507	54,809

	Three months Ended March 31,	
	2021	2022
	US\$	US\$
	(Unaudited)	(Unaudited)
Current income tax expense	26	144
Deferred income tax	–	–
Total income tax expense	26	144

Reconciliation of the differences between statutory tax rate and the effective tax rate.

Reconciliation of the differences between the statutory EIT rate applicable to losses of the consolidated entities and the income tax expenses of the Group:

	Three months Ended March 31,	
	2021	2022
	(Unaudited)	(Unaudited)
PRC Statutory income tax rate	25.0%	25.0%
Effect of tax rates in different tax jurisdiction	(2.7%)	(0.4%)
Effect of preferential tax rate for qualified HNTE entities (1)	1.1%	(5.7%)
Additional deduction for research and development expenditures	13.6%	13.0%
Share-based compensation	(9.0%)	(5.9%)
Permanent book-tax differences	19.9%	(7.9%)
Change in valuation allowance (2)	(47.9%)	(18.4%)
Effective tax rates	(0.0%)	(0.3%)

(1) The effect of the preferential income tax rate that the WFOE is entitled to enjoy as a qualified HNTE is 15%.

(2) Valuation allowance for the three months ended March 31, 2021 (unaudited) and 2022 (unaudited) are related to the deferred tax assets of certain group entities which reported losses. The Group believes that it is more likely than not that the deferred tax assets of these entities will not be utilized. Therefore, valuation allowance has been provided.

18. BASIC AND DILUTED NET LOSS PER SHARE

Basic and diluted loss per share have been calculated in accordance with ASC 260 on computation of earnings (loss) per share for each of the three months ended March 31, 2021 and 2022 are calculated as follows:

		Three months Ended March 31,	
		2021	2022
		<i>US\$</i>	<i>US\$</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Basic and diluted net loss per share calculation			
Numerator:			
Net loss attributable to Tuya Inc.'s ordinary shareholders, basic and diluted		(40,533)	(54,953)
Denominator:			
Weighted-average ordinary shares outstanding, basic and diluted		268,165,312	556,808,050
Net loss per share attributable to ordinary shareholders:			
Basic		(0.15)	(0.10)
Diluted		(0.15)	(0.10)

The following ordinary shares equivalent were excluded from the computation of diluted net loss per ordinary share for the periods presented because including them would have had an anti-dilutive effect:

		As of December 31,	As of March 31,
		2021	2022
			<i>(Unaudited)</i>
Preferred Shares – weighted shares		–	–
Share option and RSU – weighted shares		61,989,697	65,114,465

19. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

There are no future minimum capital commitments as of December 31, 2021 and March 31, 2022 (unaudited).

(b) Operating lease commitment

The Group had outstanding commitments on several non-cancellable operating lease agreements. Operating lease with a lease term commitments of one year or less lease term, for which the Group elected to not recognize any lease liability or right-of-use asset, therefore not yet reflected in the condensed consolidated financial statements as of December 31, 2021 and March 31, 2022 were US\$99 and US\$69 (unaudited), respectively.

(c) Services purchase commitment

As of December 31, 2021, the Group's services purchase commitments were as follows:

	Less Than			
	Total	1 year	1-3 years	3-5 years
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Purchase obligations (i)	31,771	6,146	15,000	10,625

As of March 31, 2022 (unaudited), the Group's services purchase commitments were as follows:

	Total	Less Than 1 year	1-3 years	3-5 years
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Purchase obligations (i)	28,885	5,135	15,000	8,750

- (i) Purchase obligations represent US\$31,771 of remaining non-cancellable contractual commitments as of December 31, 2021, related to one of the Group's third-party cloud infrastructure agreements, under which the Group committed to spend an aggregate of at least US\$37,500 between June 1, 2021 and May 31, 2026 as a minimum purchase commitment. The Group had made payments totalling US\$5,729 under this agreement as of December 31, 2021.

Purchase obligations represent US\$28,885 (unaudited) of remaining non-cancellable contractual commitments as of March 31, 2022, related to one of the Group's third-party cloud infrastructure agreements, under which the Group committed to spend an aggregate of at least US\$37,500 between June 1, 2021 and May 31, 2026 as a minimum purchase commitment. The Group had made payments totalling US\$8,615 under this agreement as of March 31, 2022.

(d) Contingencies

From time to time, the Group is subject to legal proceedings, investigations and claims incidental to the conduct of its business. As of December 31, 2021 and March 31, 2022 (unaudited), the Group was not involved in any legal or administrative proceedings that the Group believes may have a material adverse impact on the Group's business, balance sheets or results of operations and cash flows.

20. RELATED PARTY TRANSACTIONS

The table below sets forth the major related party and their relationships with the Company as of March 31, 2021 and 2022:

Name of related party	Relationship with the Group
Wang Xueji and other four individuals	Registered Shareholders

There was no related party transaction for the three months ended March 31, 2021(unaudited) and 2022 (unaudited).

	As of December 31,	As of March 31,
	2021	2022
	<i>US\$</i>	<i>US\$</i>
		<i>(Unaudited)</i>

Receivables from shareholders	—	—
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21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through, June 22, 2022 which is the date these condensed consolidated financial statements are issued.

In May 2022, the Company granted a total of 1,720,000 share options and 679,000 RSUs under the 2015 Plan to its employees and non-employees, which is only subject to service conditions. As a result of this share option grant, the Company estimated total share-based compensation expense of approximately US\$5,059 to be recorded in its consolidated financial statements over the vesting period of four years starting from 2022.

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

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

As of December 31, 2021

Condensed consolidated Balance Sheet data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
		Classification and measurement of preferred shares (Note(a))	Listing expenses (Note(b))	Operating leases (Note(c))	Share-based compensation (Note(d))	Expected credit loss (Note(e))	Long-term investments (Note(f))	
Operating lease right-of-use assets, net	22,181	-	-	(263)	-	-	-	21,918
Accounts receivable, net	32,701	-	-	-	-	(632)	-	32,069
Notes receivable	1,393	-	-	-	-	(49)	-	1,344
Prepayments and other current assets	27,882	-	(2,148)	-	-	(23)	-	25,711
Long-term investments	26,078	-	-	-	-	-	(25,583)	495
Other non-current assets	1,818	-	-	-	-	(24)	-	1,794
Financial assets at fair value through profit or loss	-	-	-	-	-	-	25,583	25,583
Total assets	1,248,150	-	(2,148)	(263)	-	(728)	-	1,245,011
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Total liabilities	134,489	-	-	-	-	-	-	134,489
Accumulated deficit	(367,898)	(5,513,140)	(5,304)	(263)	(38,815)	(728)	357	(5,925,791)
Accumulated other comprehensive income	2,320	-	-	-	-	-	(357)	1,963
Additional paid-in capital	1,526,140	5,513,140	3,156	-	38,815	-	-	7,081,251
Total shareholder's equity	1,113,661	-	(2,148)	(263)	-	(728)	-	1,110,522

Condensed consolidated Balance Sheet data	As of March 31, 2022 (Unaudited)							
	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs
	US\$	US\$ <i>Classification and measurement of preferred shares (Note(a))</i>	US\$ <i>Listing expenses (Note(b))</i>	US\$ <i>Operating leases (Note(c))</i>	US\$ <i>Share-based compensation (Note(d))</i>	US\$ <i>Expected credit loss (Note(e))</i>	US\$ <i>Long-term investments (Note(f))</i>	US\$
Operating lease right-of-use assets, net	19,491	-	-	(357)	-	-	-	19,134
Accounts receivable, net	29,874	-	-	-	-	(809)	-	29,065
Notes receivable	2,659	-	-	-	-	(54)	-	2,605
Prepayments and other current assets	23,883	-	(3,942)	-	-	(17)	-	19,924
Other non-current assets	1,789	-	-	-	-	(20)	-	1,769
Long-term investments	27,714	-	-	-	-	-	(27,217)	497
Financial assets at fair value through profit or loss	-	-	-	-	-	-	27,217	27,217
Total assets	1,162,217	-	(3,942)	(357)	-	(900)	-	1,157,018
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Total liabilities	110,150	-	-	-	-	-	-	110,150
Accumulated deficit	(422,851)	(5,513,140)	(7,098)	(357)	(44,970)	(900)	357	(5,988,959)
Accumulated other comprehensive income	2,969	-	-	-	-	-	(357)	2,612
Additional paid-in capital	1,538,155	5,513,140	3,156	-	44,970	-	-	7,099,421
Total shareholder's equity	1,052,067	-	(3,942)	(357)	-	(900)	-	1,046,868

Condensed consolidated Statement of Comprehensive Loss data	Three months ended March 31, 2021 (Unaudited)						
	Amounts as reported under U.S. GAAP	IFRSs adjustments					Amounts as reported under IFRSs
	US\$	US\$ <i>Classification and measurement of preferred shares (Note(a))</i>	US\$ <i>Listing expenses (Note(b))</i>	US\$ <i>Operating leases (Note(c))</i>	US\$ <i>Share-based compensation (Note(d))</i>	US\$ <i>Expected credit loss (Note(e))</i>	US\$
Research and development expenses	(34,709)	-	-	63	(1,206)	-	(35,852)
Sales and marketing expenses	(16,412)	-	-	40	(459)	-	(16,831)
General and administrative expenses	(16,062)	-	(2,997)	7	(5,209)	171	(24,090)
Other non-operating incomes, net	-	-	-	-	-	-	-
Other losses – net	-	(2,950,675)	-	-	-	-	(2,950,675)
Financial income, net	1,095	-	-	(139)	-	-	956
Net loss	(40,533)	(2,950,675)	(2,997)	(29)	(6,874)	171	(3,000,937)
Other comprehensive (loss)/income	(371)	343	-	-	-	-	(28)
Net comprehensive loss	(40,904)	(2,950,332)	(2,997)	(29)	(6,874)	171	(3,000,965)

Three months ended March 31, 2022 (Unaudited)

Condensed consolidated Statement of Comprehensive Loss data	Amounts as reported under U.S. GAAP	IFRSs adjustments						Amounts as reported under IFRSs	
	US\$	US\$ Classification and measurement of preferred shares (Note(a))	US\$ Listing expenses (Note(b))	US\$ Operating leases (Note(c))	US\$ Share-based compensation (Note(d))	US\$ Expected credit loss (Note(e))	US\$ Long-term investments (Note(f))	US\$	US\$
Research and development expenses	(47,588)	-	-	59	(1,080)	-	-	-	(48,609)
Sales and marketing expenses	(15,278)	-	-	5	(279)	-	-	-	(15,552)
General and administrative expenses	(18,030)	-	(1,794)	1	(4,796)	(172)	-	-	(24,791)
Other non-operating incomes, net	653	-	-	91	-	-	-	-	744
Other losses – net	-	-	-	-	-	-	-	-	-
Financial income, net	121	-	-	(250)	-	-	-	-	(129)
Net loss	(54,953)	-	(1,794)	(94)	(6,155)	(172)	-	-	(63,168)
Other comprehensive (loss)/income	649	-	-	-	-	-	-	-	649
Net comprehensive loss	(54,304)	-	(1,794)	(94)	(6,155)	(172)	-	-	(62,519)

(a) Classification and measurement of preferred shares

Under U.S. GAAP, the preferred shares of the Company are accounted for as mezzanine equity. The Preferred Shares are recorded initially at fair value, net of issuance costs, and carried at the amount recorded at inception and no subsequent changes are needed.

Under IFRSs, the preferred shares, represent a financial liability with embedded features. The preferred shares are measured at fair value and designated as of fair value through profit or loss with issuance costs recorded in general and administrative expenses. The issuance costs are recorded in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the Company's own credit risk shall be presented in other comprehensive income; the remaining amount of change in the fair value of the liability shall be presented in profit or loss.

Accordingly, the reconciliation includes a fair value loss difference of US\$2,950,675 recognized in net loss attributable to the Company and a difference from change of the Company's own credit risk of US\$343 in other comprehensive income/(loss) in the consolidated statements of comprehensive loss for the three months period ended March 31, 2021.

All the preferred shares of the Company were converted into ordinary shares upon the completion of IPO in March 2021. Consequently, the reconciliation includes a difference between accumulated deficit and additional paid-in capital between U.S. GAAP and IFRSs of US\$5,513,140 as of December 31, 2021 and March 31, 2022 (unaudited).

(b) Listing expenses

Under U.S. GAAP, specific incremental costs considered directly attributable to the offering of equity securities ("listing expenses") may be deferred and capitalized against the gross proceeds of the offering.

Under IFRSs, only those listing expenses considered directly attributable to the issuance of new shares to investors can be capitalized. Those listing expenses considered directly attributable to the listing of existing shares on a stock exchange are not considered transaction costs that qualify for capitalization. Such costs should be expensed as incurred instead.

Accordingly, the reconciliation includes an expense recognition difference in the condensed consolidated statements of comprehensive loss of US\$2,997 (unaudited) for the three months ended March 31, 2021 and a difference in additional paid-in capital of US\$3,156 as of December 31, 2021, in relation to the listing expenses incurred during the initial public offering and listing of the Company's ADSs in the United States in March 2021. For the three months ended March 31, 2022, the reconciliation also includes an expense recognition difference in the condensed consolidated statements of comprehensive loss of US\$1,794 (unaudited), which is the difference of prepayments and other current assets between December 31, 2021 and March 31, 2022 in relation to the listing expenses of the expected Hong Kong dual primary listing in 2022.

(c) Operating leases

For operating leases under U.S. GAAP, the subsequent measurement of the lease liability is based on the present value of the remaining lease payments using the discount rate determined at lease commencement, while the right-of-use asset is remeasured at the amount of the lease liability, adjusted for the remaining balance of any lease incentives received, cumulative prepaid or accrued rents, unamortized initial direct costs and any impairment. This treatment under U.S. GAAP results in straight line expense being incurred over the lease term, as opposed IFRSs which generally yields a "front-loaded" expense with more expense recognized in earlier years of the lease.

Accordingly, the reconciliation includes an expenses difference recognized in the condensed consolidated statements of comprehensive loss of US\$29 (unaudited) and US\$94 (unaudited) for each of the three months ended March 31, 2021 and 2022, respectively. The reconciliation also includes a difference in total shareholders' equity of US\$263 and US\$357 (unaudited) as of December 31, 2021 and March 31, 2022.

(d) Share-based compensation

The Group granted Share Options and Restricted Shares Units with service condition to employees and consultants who rendered services that are similar to those rendered by employees, and the share-based compensation expenses were recognized over the vesting period using straight-line method with election of no estimation of expected forfeitures under U.S. GAAP. While under IFRSs, the graded vesting method with forfeitures estimation must be applied. Accordingly, the reconciliation includes an expense recognition difference in the condensed consolidated statements of comprehensive loss of US\$6,874 (unaudited) and US\$6,155 (unaudited) for the three months ended March 31, 2021 and 2022, respectively.

(e) Expected credit loss

Under current U.S. GAAP, a number of impairment models exist for various types of financial instruments not measured at fair value through net income. These models recognize impairments when losses have been incurred, as opposed to expected in the future. For loans, the overriding concept in U.S. GAAP is that impairment losses should be recognized when, based on all available information, it is probable that a loss has been incurred based on events and conditions existing at the date of the financial statements. Losses are not to be recognized before it is probable that they have been incurred, even though it may be probable or expected based on past experience that losses will be incurred in the future. For trade receivables, most entities use reserving matrices in which historical loss percentages are applied to the respective aging categories. Those historical loss percentages typically are not adjusted for future expectations. Receivables that are either current or not yet due do not generally have a reserve. For available for sale securities, entities generally record an impairment loss when the decline in fair value is “other than temporary.”

IFRS 9 introduced an expected loss model for financial assets. While certain simplifications exist for trade receivables, notes receivables and other current assets, the general model applies to assets at amortized cost and FVOCI. Unlike current U.S. GAAP, the model is forward looking and incorporates historical information, current information, and reasonable and supportable forecasts of future conditions. The model contains three stages for measuring impairment losses based on the changes in credit quality of the instrument since inception. Stage 1 includes financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition or that have low credit risk at the reporting date. For these assets, an entity will typically record a 12-month Expected Credit Losses (ECL). It is not the expected cash shortfalls over the 12-month period, but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. Stage 2 includes financial instruments that have had a SICR since initial recognition. For these assets, lifetime ECL is recognized, but interest revenue is still recognized on the gross carrying amount of the asset. Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised and interest revenue is calculated on the net carrying amount. An entity is required to continually assess whether a SICR has occurred. The Group expects that there is no significant credit risk associated with other financial assets, such as cash and cash equivalents and time deposits, since they are substantially deposited at state owned banks and other medium or large-sized listed banks.

Accordingly, the reconciliation includes a difference of (reverse of expenses)/expenses recognized in the consolidated statements of condensed comprehensive loss of US\$(171) (unaudited) and US\$172 (unaudited) for each of the three months ended March 31, 2021 and 2022, respectively. The reconciliation also includes a decrease in assets of US\$728 and US\$900 (unaudited) as of December 31, 2021 and March 31, 2022 respectively.

(f) Long-term Investments

The Group made a series of long-term investments in privately held companies (the “Investees”) during the Track Record Period. From the Group’s perspective, for those investments on which the Group has no significant influence, since those investments could not meet the definition of the equity instrument, and the contractual cashflow could not pass the Solely Payments of Principal and Interest (the “SPPI”) test, thus under IFRSs they should be classified as financial assets measured at fair value through profit or loss; for remaining investments on which the Group has significant influence, since the Group has some special preferential rights over the equity investments, such as redemption rights, anti-dilution rights and etc., and distinguish the risks and rights of the Group from other ordinary shareholders, thus under IFRSs, the long-term investments are also classified as financial assets measured at fair value through profit or loss. However, under U.S. GAAP, all forementioned investments were classified as available-for-sale debt investments and were measured at fair value through other comprehensive income.

Accordingly, the reconciliation includes a reclassification between long-term investments and financial assets at fair value through profit or loss of US\$25,583 and US\$27,217 (unaudited) as of December 31, 2021 and March 31, 2022. For the three months ended March 31, 2022, the fair value changes of the Group’s investments in these privately held companies were immaterial. For the three months ended March 31, 2021, no such investments were made by the Company.

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on February 21, 2021 and became effective on March 22, 2021 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available on display on the websites specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on February 21, 2021 and became effective on March 22, 2021 and include provisions to the effect set out below.

Notwithstanding the current provisions of the Articles, the Company undertakes to comply with (a) the applicable articles requirements under Chapter 8A of, and Appendix 3 to, the Listing Rules that are not currently met by the Articles and (b) the requirement that where a general meeting is postponed by the directors, the specific date, time and place of the postponed meeting must be specified, before the Articles are formally amended in an extraordinary general meeting to be convened within six months from the Listing Date such that immediately upon the Listing, the Company will be subject to, and will fully comply with, such articles requirements as if they have already been incorporated into the existing Articles upon the Listing (save for certain specified exceptions). For further details, please see the section headed “Waivers and Exemptions – Requirements Relating to the Articles of Association of the Company”.

2.1 Ordinary Shares

The Company’s ordinary shares are divided into Class A Ordinary Shares and Class B Ordinary Shares. Holders of Class A Ordinary Shares and Class B Ordinary Shares will have the same rights except for voting and conversion rights. Ordinary shares are issued in registered form. Shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Each Class B Ordinary Share is convertible into one Class A Ordinary Share at any time by the holder thereof. Class A Ordinary Shares are not convertible into Class B Ordinary Shares under any circumstances.

Upon any sale, transfer, assignment, or disposition of Class B Ordinary Shares by a holder thereof to any person which is not an Affiliate of such holder, or upon a change of beneficial ownership of any Class B ordinary shares as a result of which any person who is not an Affiliate of the holders of such ordinary Shares becomes a beneficial owner of such ordinary shares, such Class B Ordinary Shares shall be automatically and immediately converted into an equal number of Class A Ordinary Shares.

In addition, the Class B Ordinary Shares, if any, beneficially owned by Mr. Wang and his Affiliates or Mr. Chen, shall be automatically and immediately converted into an equal number of Class A Ordinary Shares upon Mr. Wang ceasing to be a Director or Mr. Chen ceasing to be a Director or an executive officer or employee of the Company, respectively; provided that in the event that Mr. Chen ceases to be a Director or an executive officer or employee of the Company and has, prior to or concurrently with his ceasing to be in such position, delegated the voting power on any of the Class B Ordinary Shares that he beneficially owns to Mr. Wang and/or an Affiliate of Mr. Wang through voting proxy, voting agreement or similar arrangement, the automatic conversion into Class A Ordinary Shares of such Class B Ordinary Shares the voting power of which is so delegated as contemplated above shall not be triggered. In the event that a dual-class structure with unequal voting rights as set out in this Article is restricted or prohibited under the rules and listing standards of all the Major Stock Exchanges (as defined in the Articles) as a result of which the Shares or the American depositary shares representing Class A ordinary shares(s) are not allowed to be listed for trading on any of the Major Stock Exchanges should the Company retain such dual-class structure with unequal voting rights, any and all of the Class B Ordinary Shares then outstanding shall be automatically and immediately converted into an equal number of Class A Ordinary Shares.

2.2 *Dividends*

The holders of ordinary shares are entitled to such dividends as may be declared by the Board of Directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or the Company's share premium account, and provided further that a dividend may not be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

Dividends received by each Class B Ordinary Share and Class A Ordinary Share in any dividend distribution shall be the same.

Any dividend which remains unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

2.3 *Voting Rights*

Holders of Class A Ordinary shares and Class B Ordinary Shares shall, at all times, vote together as one class on all matters submitted to a vote by the shareholders. Each Class A Ordinary Share shall be entitled to one vote, and each Class B Ordinary Share shall be entitled to 15 votes on all matters subject to vote at general meetings of the Company. A resolution put to the vote of the general meeting shall be decided by poll and not on a show of hands. A poll shall be taken as the chairman of the meeting directs.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution. A special resolution requires the affirmative vote of no less than two-thirds of the votes cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to the Memorandum and Articles of Association. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of the Company, as permitted by the Companies Act and the Memorandum and Articles of Association.

2.4 *Transfer of Shares*

Any of the shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in writing and in any usual or common form or such other form as approved by the Board of Directors.

However, the Board of Directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which the Company has a lien. The Board of Directors may also decline to register any transfer of any ordinary share unless:

- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) in the case of a transfer to joint holders, the transfer is not to more than four joint holders; or

- (e) a fee of such maximum sum as the Designated Stock Exchange (as defined in the Articles of Association) may determine to be payable, or such lesser sum as the Board of Directors may from time to time require, is paid to the Company in respect thereof.

If the Directors refuse to register a transfer they shall notify the transferee within five business days of such refusal, providing a detailed explanation of the reason therefor. In addition, the Directors are also required, within two calendar months after the date on which the instrument of transfer was lodged with the Company, to send to each of the transferor and the transferee notice of such refusal.

2.5 Liquidation

On a winding up of the Company, if the assets available for distribution amongst the shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. If the assets available for distribution are insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the par value of the shares held by them.

2.6 Redemption, Repurchase and Surrender of Shares

The Company may issue shares on terms that such shares are subject to redemption, at the option of the Company or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by the Board of Directors. The Company may also repurchase any of the Company's shares (including redeemable shares) provided that the manner and terms of such purchase have been approved by the Board of Directors, or are otherwise authorized by the Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of the Company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act, no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the Company has commenced liquidation. In addition, the Company may accept the surrender of any fully paid share for no consideration.

2.7 Variation of Rights of Shares

The rights attaching to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than a majority of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

2.8 General Meetings of Shareholders

Shareholders' general meetings may be held in such place within or outside the Cayman Islands as the Board of Directors considers appropriate.

As a Cayman Islands exempted company, the Company is not obliged by the Companies Act to call shareholders' annual general meetings. The Memorandum and Articles of Association provide that we may in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of the shareholders may be convened by a majority of the Board of Directors or the chairman of the Board of Directors. The Board of Directors shall give not less than seven business days' notice of a shareholders' meeting to those persons whose names appear as members in the Company's register of members on the date the notice is given (or on any other date determined by the directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Memorandum and Articles of Association allow one or more shareholder holding shares representing in aggregate not less than one-third of the aggregate number of votes attaching to the issued and outstanding shares of the Company entitled to vote at general meetings as at the date of the requisition, to requisition an extraordinary general meeting, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, the Memorandum and Articles of Association do not provide the shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

2.9 Appointment and Removal of Directors

The Articles of Association provide that unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than three, and there shall be no maximum number of Directors.

The Articles of Association provide that the Company may by ordinary resolution appoint any person to be a Director. In addition, the Board may, by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, appoint any person as a Director to fill a casual vacancy on the Board or as an addition to the existing Board. A Director may be removed from office by ordinary resolutions of the Company or the affirmative vote of a simple majority of the other Directors present and voting at a Board meeting, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for damages under such agreement); provided that in the event that the chairman of the Board of Directors is to be removed by the affirmative vote of a simple majority of the other Directors present and voting at a Board meeting, such affirmative vote shall include the vote of at least one Management Director. A Director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated.

There is no shareholding qualification for Directors nor is there any specific age limit for Directors.

The office of a Director shall be vacated if the Director:

- (a) gives notice in writing to the Company that he resigns the office of Director;
- (b) dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) is prohibited by any applicable law or Designated Stock Exchange Rules (as defined in the Articles) from being a Director;
- (d) he is found to be or becomes of unsound mind; or
- (e) is removed from office pursuant to any other provision of the Articles.

2.10 Proceedings of the Board

The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed, the presence of a majority of the Directors then in office shall constitute quorum.

The Directors may meet at such times and in such places as the Board of Directors shall designate from time to time. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the Board of Directors shall have a second or casting vote.

2.11 Changes in Share Capital

The Company may by ordinary resolution:

- (a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares or larger amount than its existing shares;
- (c) divide its shares into several classes and, without prejudice to any special rights previously conferred on the holders of existing shares, attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine;
- (d) subdivide its existing shares, or any of them, into shares of an amount smaller than that fixed by the Memorandum or into shares without par value, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived, and may be such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided; and
- (f) perform any action not required to be performed by special resolution.

2.12 Directors' Power to Issue Shares

Subject to the provisions, if any, in the Memorandum and Articles of Association, the Designated Stock Exchange Rules (as defined in the Articles) and to any direction that may be given by the Company in a general meeting, and without prejudice to any rights attached to any existing shares, the Directors may in their absolute discretion and without approval of the shareholders, allot, issue, grant options over or otherwise dispose of shares (including fractions of a share) with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, to such persons, at such times and on such other terms as they think proper.

2.13 Directors Borrowing Powers

The Board from time to time at their discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures, bonds and other such securities, whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

2.14 Disclosure of Interest in Contracts with the Company or any of our Subsidiaries

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of the Directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A general notice given to the Board by any Director to the effect that (a) he is a member or officer of any specified company or firm and is to be regarded as interested in any contract or arrangement which may thereafter be made with that company or firm; or (b) he is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with a specified person who is connected with him, shall be deemed a sufficient declaration of interest in regard to any contract so made or arrangement so consummated.

Subject to the rules of the Designated Stock Exchange (as defined in the Articles of Association), a Director may vote in respect of any contract or arrangement or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or transaction or proposed contract or transaction shall come before the meeting for consideration.

2.15 Remuneration of Directors

The remuneration of the Directors may be determined by the Directors or by a committee designated by the Board of Directors.

The Directors shall be entitled to be paid their travelling, hotel and other expenses properly incurred by them in going to, attending and returning from meetings of the Directors, or committee of the Directors, or general meetings of the Company, or otherwise in connection with the business of the Company, or to receive such fixed allowance in respect thereof as may be determined by the Directors from time to time, or a combination partly of one such method and partly the other.

2.16 Restriction on Ownership of Securities

There are no provisions in the Articles of Association relating to restrictions on ownership of the Company's shares or securities.

2.17 Appointment, removal and remuneration of auditors

Requirements in the Company's Articles of Association, the Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 28, 2014 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution.

Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or

consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on August 28, 2014.

Our registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

Our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 25, 2022 with the Registrar of Companies in Hong Kong. Ms. LAU Yee Wa (劉綺華) and Ms. TANG King Yin (鄧景賢) have been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As at the date of this prospectus, our Company's head office was located at Huace Center, Building A, 10/F, Xihu District, Hangzhou City, Zhejiang Province, 310012, People's Republic of China.

2. Changes in share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000.00 divided into 100,000,000 ordinary shares of a par value of US\$0.0005 each.

The following sets out the changes in the Company's issued share capital during the two years immediately preceding the date of this prospectus:

- (a) On February 1, 2021, we issued an aggregate of 9,615,769 ordinary shares with a par value of US\$0.00005 each to NVMB XIV Holdings Limited;
- (b) On February 2, 2021, we issued an aggregate of 6,410,513 ordinary shares with a par value of US\$0.00005 each to Tencent Mobility Limited;

- (c) Immediately upon the completion of our initial public offering on the NYSE on March 22, 2021, all issued and ordinary shares with a par value of US\$0.00005 each beneficially owned by Mr. Wang, and Mr. Chen (including 1,442,736 ordinary shares held by Tuya Technology Inc.) at the time were immediately and automatically converted to 142,400,000 Class B Ordinary Shares on a one-for-one basis, while all the other issued and outstanding ordinary shares with a par value of US\$0.00005 each in our Company (other than those beneficially owned by Mr. Wang and Mr. Chen) and all the issued and outstanding Series A, Series A-1, Series B, Series C and Series D preferred shares with a par value of US\$0.00005 each were automatically converted into Class A Ordinary Shares on a one-for-one basis; and
- (d) On March 22, 2021, we completed our initial public offering on the NYSE where we issued and sold a total of 43,590,000 Class A Ordinary Shares represented by ADSs at a public offering price of US\$21.00 per ADS, and on April 20, 2021, the underwriters exercised their over-allotment option to purchase additional 1,486,479 ADSs at a price of US\$21.00 per ADS.
- (e) On August 30, 2021, the Company authorized a share repurchase program under which it may repurchase ADSs up to US\$200 million during a twelve-month period. The Company's repurchases may be made from time to time through open market transactions at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on the market conditions and in accordance with the applicable rules and regulations. The timing and dollar amount of repurchase transactions will be subject to the SEC Rule 10b-18 and/or Rule 10b5-1 requirements. The Company may continue to repurchase its ADSs after the Listing in Hong Kong within the scope of the aforementioned mandate authorized in the share repurchase program.
- (f) On January 22, 2022, conditional and effective upon the Listing, our Board resolved to re-designate the 200,000,000 authorized, unissued and undesignated shares of par value of US\$0.00005 each of our Company as Class A Ordinary Shares, such that our authorized share capital upon the Listing will be US\$50,000 divided into 1,000,000,000 ordinary shares of par value of US\$0.00005 each, comprising (a) 800,000,000 Class A Ordinary Shares of par value of US\$0.00005 each and (b) 200,000,000 Class B Ordinary Shares of par value of US\$0.00005 each.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries and Consolidated Affiliated Entities

A summary of the corporate information and the particulars of certain subsidiaries and Consolidated Affiliated Entities are set out in note 1 to the Accountant's Report as set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries and Consolidated Affiliated Entities during the two years immediately preceding the date of this prospectus:

Tuya Information

On November 25, 2020, the registered capital of Tuya Information increased from US\$150,000,000 to US\$160,000,000.

On January 27, 2021, the registered capital of Tuya Information increased from US\$160,000,000 to US\$170,000,000.

On April 12, 2021, the registered capital of Tuya Information increased from US\$170,000,000 to US\$190,000,000.

On July 13, 2021, the registered capital of Tuya Information increased from US\$190,000,000 to US\$260,000,000.

On November 11, 2021, the registered capital of Tuya Information increased from US\$260,000,000 to US\$300,000,000.

On February 14, 2022, the registered capital of Tuya Information increased from US\$300,000,000 to US\$500,000,000.

Guangdong Tuya

On June 28, 2021, the registered capital of Guangdong Tuya increased from US\$10,000,000 to US\$41,000,000.

Zhejiang Tuya

On January 25, 2021, the registered capital of Zhejiang Tuya increased from US\$30,000,000 to US\$40,000,000.

On November 11, 2021, the registered capital Zhejiang Tuya increased from US\$40,000,000 to US\$60,000,000.

Save as disclosed above, there has been no alteration in the share capital of any subsidiary or Consolidated Affiliated Entity within the two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an amended and restated exclusive business cooperation agreement (經修訂和重述的獨家業務合作協議) (the “**Exclusive Business Cooperation Agreement**”) dated January 19, 2022 entered into between Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) agreed to appoint Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) as its exclusive services provider to provide comprehensive technical support, consulting services and other services;
- (b) a second amended and restated exclusive option agreement (第二次經修訂和重述的獨家購買權協議) (the “**Wang’s Exclusive Option Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Wang Xueji (王學集) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) was granted an irrevocable and exclusive option to purchase or designate one or more persons to purchase the equity interest then held by Wang Xueji (王學集) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) in whole or in part and all or part of the assets of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (c) an amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) (the “**Chen’s Exclusive Option Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Chen Liaohan (陳燎罕) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) was granted an irrevocable and exclusive option to purchase or designate one or more persons to purchase the equity interest then held by Chen Liaohan (陳燎罕) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) in whole or in part and all or part of the assets of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (d) an amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) (the “**Zhou’s Exclusive Option Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Zhou Ruixin (周瑞鑫) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) was granted an irrevocable and exclusive option to purchase or designate one or more persons to purchase the equity interest then held by Zhou Ruixin (周瑞鑫) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) in whole or in part and all or part of the assets of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);

- (e) an amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) (the “**Lin’s Exclusive Option Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Lin Yaona (林耀納) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) was granted an irrevocable and exclusive option to purchase or designate one or more persons to purchase the equity interest then held by Lin Yaona (林耀納) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) in whole or in part and all or part of the assets of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (f) an amended and restated exclusive option agreement (經修訂和重述的獨家購買權協議) (the “**Peihong’s Exclusive Option Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Chen Peihong (陳沛泓) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) was granted an irrevocable and exclusive option to purchase or designate one or more persons to purchase the equity interest then held by Chen Peihong (陳沛泓) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) in whole or in part and all or part of the assets of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (g) a second amended and restated equity interest pledge agreement (第二次經修訂和重述的股權質押協議) (the “**Wang’s Equity Interest Pledge Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Wang Xueji (王學集) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Wang Xueji (王學集) agreed to pledge all of his equity interest in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) to secure performance of his contractual obligations under the Wang’s Exclusive Option Agreement, the Wang’s Power of Attorney, and the Wang’s Equity Interest Pledge Agreement and the contractual obligations of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) under the Exclusive Business Cooperation Agreement, the Wang’s Exclusive Option Agreement and the Wang’s Equity Interest Pledge Agreement, and to secure payment of the secured indebtedness incurred as a result of any event of default;
- (h) an amended and restated equity interest pledge agreement (經修訂和重述的股權質押協議) (the “**Chen’s Equity Interest Pledge Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Chen Liaohan (陳燎罕) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Chen Liaohan (陳燎罕) agreed to pledge all of his equity interest in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) to secure performance of his contractual obligations under the Chen’s Exclusive Option Agreement, the Chen’s Power of Attorney, and the Chen’s Equity Interest Pledge Agreement and the contractual obligations of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) under the Exclusive Business Cooperation Agreement, the Chen’s Exclusive Option Agreement and the Chen’s Equity Interest Pledge Agreement, and to secure payment of the secured indebtedness incurred as a result of any event of default;

- (i) an amended and restated equity interest pledge agreement (經修訂和重述的股權質押協議) (the “**Zhou’s Equity Interest Pledge Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Zhou Ruixin (周瑞鑫) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Zhou Ruixin (周瑞鑫) agreed to pledge all of his equity interest in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) to secure performance of his contractual obligations under the Zhou’s Exclusive Option Agreement, the Zhou’s Power of Attorney, and the Zhou’s Equity Interest Pledge Agreement and the contractual obligations of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) under the Exclusive Business Cooperation Agreement, the Zhou’s Exclusive Option Agreement and the Zhou’s Equity Interest Pledge Agreement, and to secure payment of the secured indebtedness incurred as a result of any event of default;
- (j) an amended and restated equity interest pledge agreement (經修訂和重述的股權質押協議) (the “**Lin’s Equity Interest Pledge Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Lin Yaona (林耀納) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Lin Yaona (林耀納) agreed to pledge all of his equity interest in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) to secure performance of his contractual obligations under the Lin’s Exclusive Option Agreement, the Lin’s Power of Attorney, and the Lin’s Equity Interest Pledge Agreement and the contractual obligations of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) under the Exclusive Business Cooperation Agreement, the Lin’s Exclusive Option Agreement and the Lin’s Equity Interest Pledge Agreement, and to secure payment of the secured indebtedness incurred as a result of any event of default;
- (k) an amended and restated equity interest pledge agreement (經修訂和重述的股權質押協議) (the “**Peihong’s Equity Interest Pledge Agreement**”) dated January 19, 2022 entered into among Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), Chen Peihong (陳沛泓) and Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司), pursuant to which Chen Peihong (陳沛泓) agreed to pledge all of his equity interest in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) to secure performance of his contractual obligations under the Peihong’s Exclusive Option Agreement, the Peihong’s Power of Attorney, and the Peihong’s Equity Interest Pledge Agreement and the contractual obligations of Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司) under the Exclusive Business Cooperation Agreement, the Peihong’s Exclusive Option Agreement and the Peihong’s Equity Interest Pledge Agreement, and to secure payment of the secured indebtedness incurred as a result of any event of default;







- (l) a power of attorney (授權委託書) (the “**Wang’s Power of Attorney**”) dated January 19, 2022, executed by Wang Xueji (王學集) and accepted by Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), pursuant to which Wang Xueji (王學集) irrevocably authorized Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) or its designated person(s) to exclusively exercise the rights relating to all equity interest held by Wang Xueji (王學集) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (m) a power of attorney (授權委託書) (the “**Chen’s Power of Attorney**”) dated January 19, 2022, executed by Chen Liaohan (陳燎罕) and accepted by Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), pursuant to which Chen Liaohan (陳燎罕) irrevocably authorized Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) or its designated person(s) to exclusively exercise the rights relating to all equity interest held by Chen Liaohan (陳燎罕) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (n) a power of attorney (授權委託書) (the “**Zhou’s Power of Attorney**”) dated January 19, 2022, executed by Zhou Ruixin (周瑞鑫) and accepted by Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), pursuant to which Zhou Ruixin (周瑞鑫) irrevocably authorized Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) or its designated person(s) to exclusively exercise the rights relating to all equity interest held by Zhou Ruixin (周瑞鑫) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (o) a power of attorney (授權委託書) (the “**Lin’s Power of Attorney**”) dated January 19, 2022, executed by Lin Yaona (林耀納) and accepted by Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), pursuant to which Lin Yaona (林耀納) irrevocably authorized Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) or its designated person(s) to exclusively exercise the rights relating to all equity interest held by Lin Yaona (林耀納) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司);
- (p) a power of attorney (授權委託書) (the “**Peihong’s Power of Attorney**”) dated January 19, 2022, executed by Chen Peihong (陳沛泓) and accepted by Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司), pursuant to which Chen Peihong (陳沛泓) irrevocably authorized Hangzhou Tuya Information Technology Co., Ltd. (杭州塗鴉信息技術有限公司) or its designated person(s) to exclusively exercise the rights relating to all equity interest held by Chen Peihong (陳沛泓) in Hangzhou Tuya Technology Co., Ltd. (杭州塗鴉科技有限公司); and
- (q) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks that we consider to be material to our business through Tuya Information in various places of registration:

No.	Trademark	Places of registration
1.		Including but not limited to PRC, Hong Kong, United Kingdom, Australia, Japan, Korea, India and European Union
2.		Including but not limited to PRC, Hong Kong, Singapore, United Kingdom, Australia, India and European Union
3.		PRC
4.		PRC
5.		PRC
6.		PRC

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our Group's business through Tuya Information in the PRC:

No.	Name of Patent
1.	Method for reconnecting cloud server and electronic equipment (重連雲端服務器的方法及電子設備)
2.	Multi-gateway communication method and system based on remote procedure call (基於遠程過程調用的多網關通信方法及系統)
3.	Method and system for calling cross-zone RPC services based on long TLS connections (基於TLS長連接的跨區的RPC服務調用方法及系統)
4.	A method for inter-thread communication and associated devices (一種線程間通信方法及相關裝置)
5.	A mirror backtracking method, mirror backtracking system and proxy server (一種鏡像回溯方法、鏡像回溯系統及代理服務器)
6.	A management method, system, smart gateway and server for smart home device (一種智能家居設備管理方法、系統、智能網關及服務器)
7.	A method, device and equipment for encrypting/decrypting data in a database (一種數據庫的數據加密/解密方法、裝置和設備)
8.	A data updating method, device, equipment and readable storage medium (一種數據更新方法、裝置、設備及可讀存儲介質)
9.	An IoT cloud communication method and its device (一種物聯網雲端通信方法及其裝置)
10.	Infrared remote code matching method, device, computer equipment and readable storage medium (紅外遙控碼匹配方法、裝置、計算機設備和可讀存儲介質)
11.	A gateway based on Sub-G star network and mesh network (一種基於Sub-G星型網絡和mesh網絡的網關)
12.	Method for matching linkage rules and associated device (聯動規則匹配方法以及相關裝置)
13.	A method and system for communication over network walkie-talkie (一種網絡對講機的通信方法及通信系統)
14.	An AI detection method based on cloud algorithm (一種基於雲端算法的AI檢測方法)

As at the Latest Practicable Date, our Group had applied for the grant of the following patents which we consider to be material to our business through Tuya Information in the PRC:

No.	Name of Patent
1.	A method and system for testing the performance of IoT WiFi modules (一種物聯網WiFi模塊性能測試方法及系統)
2.	A distributed task scheduling method and system (一種分佈式任務調度方法及系統)
3.	A data storage method and related system and equipment (一種數據存儲方法及其系統和設備)
4.	A task scheduling method and system (一種任務調度方法及系統)
5.	A data migration method and system for distributed databases (一種分佈式數據庫的數據遷移方法及系統)
6.	A data transmission method, server and storage device (一種數據的傳輸方法、服務器以及存儲裝置)
7.	An account authorization method and system (一種帳號授權方法及系統)
8.	A dual protocol gateway data transmission method and system (一種雙協議網關數據傳輸方法及系統)
9.	A method, device and electronic equipment for asynchronously obtaining website login status (一種異步獲取網站登錄狀態的方法、裝置及電子設備)
10.	A networking method and system, distribution network equipment, client and server (一種組網方法及系統、配網設備、客戶端和服務端)
11.	Distribution and scheduling method and system for product services, readable storage medium and computer (產品服務的分發調度方法和系統、可讀存儲介質及計算機)
12.	A microservice routing method and system and readable storage medium (一種微服務路由方法和系統及可讀存儲介質)
13.	A data center table structure consistency monitoring method and system (一種數據中心表結構一致性監控方法及系統)
14.	Cloud security encryption verification method and system based on over-the-air technology upgrading (基於空中下載技術升級的雲端安全加密校驗方法及系統)
15.	A push message synchronization and compensation method and system of iOS end (一種iOS端的推送消息同步與補償方法及系統)
16.	A user data migration method and system (一種用戶數據的遷移方法及系統)
17.	A method for weighted load balancing in the same availability zone (一種同可用區加權負載均衡的方法)
18.	Skill configuration and implementation method and system (技能配置和實現方法及系統)
19.	A method and system for generating program installation packages for skill configuration (一種用於技能配置的程序安裝包生成方法及系統)

No.	Name of Patent
20.	An automated publishing method, device, system, equipment and readable storage medium (一種自動化發佈方法、裝置、系統、設備及可讀存儲介質)
21.	Equipment linkage control method, device, computer equipment and readable storage medium (設備聯動控制方法、裝置、計算機設備和可讀存儲介質)
22.	Bluetooth equipment control method, client, computer equipment and readable storage medium (藍牙設備控制方法、客戶端、計算機設備和可讀存儲介質)
23.	Network condition detection method and device (網絡情況檢測方法及裝置)
24.	Event sending method, system, terminal equipment and associated device (事件發送方法、系統、終端設備以及相關裝置)
25.	Scene linkage method, method and device for constructing a scene linkage system (場景聯動方法、場景聯動系統的構建方法及裝置)
26.	IoT module production test method, production test tool and computer equipment (聯網模塊產測方法、產測工具和計算機設備)
27.	Method, device, computer equipment and readable storage medium for reducing cross-zone traffic (減少跨區流量的方法、裝置、計算機設備和可讀存儲介質)
28.	A wireless communication method and Mesh equipment (一種無線通信方法以及Mesh設備)
29.	Data center access method, client and computer storage medium (數據中心訪問方法、客戶端及計算機存儲介質)
30.	A method for controlling a group or scene and associated device (一種群組或場景的控制方法及相關裝置)
31.	A method and system for securely refreshing an app login session (一種app登錄會話安全刷新方法及系統)
32.	A firmware upgrade method and device (一種固件升級方法及裝置)
33.	An IoT-based method and system for real-time monitoring of lockable equipment (一種基於物聯網的帶鎖設備實時監管方法及系統)
34.	A method and system for controlling smart devices by the WeChat mini program (一種微信小程序控制智能設備的方法及系統)
35.	A method and system for controlling smart home scenario linkage (一種控制智能家居場景聯動的方法及系統)
36.	Session log analysis method, electronic equipment and storage medium (會話日誌分析方法、電子設備及存儲介質)
37.	Equipment control method, cloud-based equipment and computer storage medium (設備控制方法、雲端設備及計算機存儲介質)
38.	A Bluetooth mesh-based lighting control method and related system (一種基於藍牙mesh的照明控制方法及相關系統)

No.	Name of Patent
39.	A cloud-based service connection method, system and related equipment (一種雲端服務連接方法、系統及相關設備)
40.	A method for changing equipment information and related equipment (設備信息變更方法及相關設備)
41.	A production and testing method and its system and device (一種產測方法及其系統和裝置)
42.	A whole machine production and testing method and system for a product (一種產品的整機產測方法及系統)
43.	A method and system for hijacking flag and notification of a smart door lock (一種智能門鎖劫持功能標記與通知的方法及系統)
44.	A method and system for creating serial command for online function files (一種針對在線功能檔的串口命令創建方法及系統)
45.	A radio frequency testing method and its system and device (一種射頻測試方法及其系統和裝置)
46.	A method and system for gateway supporting multiple protocols (一種網關支持多協議的方法及系統)
47.	An IoT-based timing method and system (一種基於物聯網的定時方法及系統)
48.	A method and system for reporting pickup data based on an intelligent audio device (一種基於智能音頻設備上報拾音數據的方法及系統)
49.	A method, server and storage device for scheduling timed tasks (一種定時任務的調度方法、服務器以及存儲裝置)
50.	A data source switching method, device, apparatus and medium (一種數據源切換方法、裝置、設備、介質)
51.	Data transmission method and related equipment (數據傳輸方法及相關設備)
52.	Method and electronic device for retesting cross-node requests in a star-shaped network architecture (星型網路架構的跨節點請求重試方法和電子設備)
53.	A security protection method and system for mqtt (一種適用於mqtt的安全防護方法及系統)
54.	A protocol adaptation method and system, storage medium, and computer device (一種協議適配方法及系統、存儲介質、計算機設備)
55.	A routing data scheduling method and system for load balancing (一種適用於負載均衡的路由數據調度方法及系統)
56.	Data consumption method and device (數據消費方法及裝置)

(c) Copyrights

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be material in relation to our Group's business:

No.	Copyright Name	Registered owner	Place of registration
1.	Tuya OEM APP auto-generated engine system V1.0 (塗鴉OEM APP自動生成引擎系統V1.0)	Tuya Information	PRC
2.	Tuya Smart iOS mobile software V3.0 (塗鴉智能iOS版手機軟件V3.0)	Tuya Information	PRC
3.	Tuya Smart Android mobile software V3.0 (塗鴉智能Android版手機軟件V3.0)	Tuya Information	PRC
4.	Tuya IoT whole-house smart service software V1.0 (塗鴉IoT全屋智能服務軟件V1.0)	Zhejiang Tuya	PRC
5.	Tuya Smart for Android	Tuya Global	U.S.
6.	Tuya Smart for iOS	Tuya Global	U.S.
7.	Tuya Smart IoT operating system embedded software (塗鴉智能物聯網操作系統嵌入式軟件)	Tuya Information	PRC
8.	Tuya IoT operating system (塗鴉物聯網操作系統2.3.0)	Tuya Information	PRC
9.	Jizhi steward APP (Android version) (集智管家APP(Android版))	Tuya Information	PRC
10.	Jizhi steward APP (iOS version) (集智管家APP(iOS版))	Tuya Information	PRC
11.	Tuya commercial lighting solution Platform (塗鴉商用照明解決方案平台)	Tuya Information	PRC
12.	Tuya Go platform APP (Android version) (塗鴉智選工作台APP(Android版)1.0.1)	Tuya Information	PRC
13.	Tuya Go platform APP(iOS version) (塗鴉智選商戶APP(iOS版)1.0.1)	Tuya Information	PRC
14.	Tuya IoT access platform V1.0 (塗鴉物聯網接入平台V1.0)	Tuya Information	PRC
15.	Tuya IoT convergence platform (塗鴉物聯網融合平台)	Tuya Information	PRC
16.	Tuya smart hotel platform (塗鴉智慧酒店平台)	Tuya Information	PRC

<u>No.</u>	<u>Copyright Name</u>	<u>Registered owner</u>	<u>Place of registration</u>
17.	Tuya Commercial Lighting mini program controlled based on SaaS (基於SaaS端控制的塗鴉商照小程序)	Tuya Information	PRC
18.	Tuya smart community platform (塗鴉智慧社區平台)	Tuya Information	PRC
19.	Tuya self-service equipment SaaS platform (塗鴉自助設備SaaS平台)	Tuya Information	PRC
20.	Tuya community mini program (塗鴉社區小程序)	Tuya Information	PRC
21.	Tuya smart apartment solution platform (塗鴉智慧公寓解決方案平台)	Tuya Information	PRC
22.	Tuya IoT Core platform (塗鴉IoT Core平台)	Tuya Information	PRC
23.	Tuya and graphics (tuya及圖形)	Tuya Information	PRC
24.	T and graphics (t及圖形)	Tuya Information	PRC
25.	Powered By Tuya and graphics (Powered By Tuya及圖形)	Tuya Information	PRC
26.	Tuya Tedge edge computing gateway platform (塗鴉Tedge邊緣計算網關平台)	Tuya Information	PRC
27.	Tuya Smart building SaaS platform (塗鴉智能樓宇SaaS平台)	Tuya Information	PRC

(d) Domain Name

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiration Date (dd/mm/yyyy)</u>
1.	tuya.com	Hangzhou Tuya Technology	05/07/2026
2.	tuyacn.com	Hangzhou Tuya Technology	23/04/2024
3.	tuyaeu.com	Tuya Global	23/04/2025
4.	tuyaus.com	Tuya Global	23/04/2025
5.	tuyain.com	Tuya Global	11/06/2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS**1. Particulars of Directors' service agreements****(a) *Executive Directors***

Each of our executive Directors has entered into a director agreement with our Company on June 16, 2022. The term of appointment shall be for an initial term of three years or until the third annual general meeting of our Company after the Listing Date (whichever is earlier). Either party may terminate the agreement by giving not less than three months' written notice. The executive Directors do not receive any director's fees under the current arrangement.

(b) *Non-executive Director and independent non-executive Directors*

Our non-executive Director has entered into a director agreement with our Company on June 16, 2022. The term of appointment shall be for an initial term of three years or until the third annual general meeting of our Company after the Listing Date (whichever is earlier). Either party may terminate the agreement by giving not less than three month's written notice. An annual director's fees of US\$50,000 per annum are payable to the non-executive Director under the current arrangement.

Each of the independent non-executive Directors has entered into a director agreement with our Company on June 16, 2022. The term of appointment shall be three years from the Listing Date or until the third annual general meeting of our Company after the Listing Date (whichever is earlier) (subject always to re-election and rotation as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice. Each of our independent non-executive Directors (other than HUANG Sidney Xuande) shall receive an annual director's fee of US\$50,000 per annum, and HUANG Sidney Xuande shall receive an annual director's fee of US\$75,000 per annum.

2. Remuneration of Directors

- (a) Remuneration (including salaries, housing fund, allowances and benefits in kind, contributions to the retirement benefit scheme, discretionary bonus, as applicable) of US\$1.5 million, US\$2.3 million and US\$31.2 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2019, 2020 and 2021, respectively.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration (including salaries, housing fund, allowances and benefits in kind, and contributions to the retirement benefit scheme, as applicable) which, for the year ending December 31, 2022, is expected to be approximately US\$39.5 million in aggregate (excluding discretionary bonus).

- (c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan), the interests and/or short positions (as applicable) of our Directors and chief executives in the Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interest in Shares and Underlying Shares of our Company

Name	Position	Nature of Interest	Number and class of Shares held	Approximate percentage of interest in each class of Shares of our Company immediately after the Global Offering ⁽¹⁾ (%)
Mr. Wang	Executive Director	Beneficial owner, interest in controlled corporation, founder and beneficiary of a trust	68,100,000 Class A Ordinary Shares ⁽²⁾⁽³⁾	13.64
		Interest in controlled corporation, founder and beneficiary of a trust	50,600,000 Class B Ordinary Shares ⁽³⁾	63.73
Mr. Chen	Executive Director	Interest in controlled corporation	28,800,000 Class B Ordinary Shares ⁽⁴⁾	36.27

Name	Position	Nature of Interest	Number and class of Shares held	Approximate percentage of interest in each class of Shares of our Company immediately after the Global Offering ⁽¹⁾ (%)
Mr. Yang	Executive Director	Beneficial owner	6,500,000 Class A Ordinary Shares ⁽⁵⁾	1.30
Liu Yao	Executive Director	Beneficial owner	5,000,000 Class A Ordinary Shares ⁽⁶⁾	1.00
Hong Jing	Non-executive Director	Interest in controlled corporation	12,222,267 Class A Ordinary Shares ⁽⁷⁾	2.45
Huang Sidney Xuande ⁽⁹⁾	Independent non-executive Director	Interest of spouse	7,500 Class A Ordinary Shares ⁽⁸⁾	0.002
Qiu Changheng	Independent non-executive Director	Beneficial owner	9,500 Class A Ordinary Shares	0.002

Notes:

- (1) The table above assumes (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised and no Shares are issued under the 2015 Equity Incentive Plan and (iii) no Class B Ordinary Shares are converted into Class A Ordinary Shares.
- (2) Mr. Wang is entitled to receive up to 5,100,000 Class A Ordinary Shares, pursuant to the share options granted to him, subject to the conditions (including vesting conditions) of those options.
- (3) Each of Tenet Group and Tenet Vision is wholly owned by Tenet Global, which is in turn wholly owned by Tenet Smart. Tenet Smart is wholly owned by TMF (Cayman) Ltd. as the trustee of Mr. Wang's Family Trust, of which the settlor is Mr. Wang and the beneficiaries are Mr. Wang and Tuya Group Inc. Tuya Group Inc. is wholly owned by Mr. Wang.

As such, Mr. Wang is deemed to be interested in the 63,000,000 Class A Ordinary Shares held by Tenet Group, 40,600,000 Class B Ordinary Shares held by Tenet Vision and 10,000,000 Class B Ordinary Shares held by Tuya Group Inc.
- (4) Unileo is wholly owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in the 28,800,000 Class B Ordinary Shares held by Unileo.
- (5) Mr. Yang is entitled to receive up to 6,500,000 Class A Ordinary Shares, pursuant to the share options granted to him, subject to the conditions (including vesting conditions) of those options.
- (6) Liu Yao is entitled to receive up to 5,000,000 Class A Ordinary Shares, pursuant to the share options granted to her, subject to the conditions (including vesting conditions) of those options.

- (7) GTY Holdings Limited, a limited liability incorporated in the Cayman Islands on November 17, 2020, is wholly owned by an investment fund, the general partner of which is Gaocheng Holdings GP Ltd. Gaocheng Holdings GP Ltd. is controlled by Hong Jing. As such, Hong Jing is deemed to be interested in the 12,222,267 Class A Ordinary Shares held by GTY Holdings Limited.
- (8) Huang Sidney Xuede is deemed to be interested in the 7,500 Class A Ordinary Shares represented by ADS held by Yang Xu (Huang Sidney Xuande's wife).
- (9) HUANG Sidney Xuande has entered into a director service agreement with the Company on June 16, 2022, pursuant to which it is agreed that the Company will grant RSUs representing a total of 400,000 Class A Ordinary Shares or ADS in equivalent amount pursuant to 2015 Equity Incentive Plan on the Listing Date, and the RSUs shall vest in 25% each for 4 years.

Interest in associated corporations

Name	Nature of Interest	Associated corporations	Amount of registered capital (RMB)	Approximate percentage of interest in the associated corporation (%)
Mr. Wang	Beneficial owner	Hangzhou Tuya Technology	6,069,000	60.69
Mr. Chen	Beneficial owner	Hangzhou Tuya Technology	1,310,000	13.10

(b) *Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following the completion of the Global Offering and taking no account of any Shares which may be issued pursuant to the exercise of the options granted under the 2015 Equity Incentive Plan, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and no account of any Shares which may be issued pursuant to the exercise of the options granted under the 2015 Equity Incentive Plan, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the paragraph headed “E. Other Information – 4. Consents of Experts” in this section below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the 2015 Equity Incentive Plan, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. EQUITY INCENTIVE PLAN**1. The 2015 Equity Incentive Plan***Summary*

The Board or the Board committee as the administrator is permitted to make the necessary amendments to the 2015 Equity Incentive Plan under the terms of such plan to comply with Chapter 17 of the Listing Rules, and pursuant to meeting of the Board on June 15, 2022 and the meeting of compensation committee on June 15, 2022, the Board has approved such amendments to take effect immediately upon the Listing. The principal terms of the 2015 Equity Incentive Plan, as amended, are as described below.

We have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption under section 342 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Please see the paragraph headed “Waivers and Exemptions – Waiver and Exemption in relation to the 2015 Equity Incentive Plan” in this prospectus for more information.

We have also applied to the Stock Exchange for a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules, so that the Company may, after the Listing, continue to grant options with exercise prices based on the market price of its ADSs as traded on the NYSE instead of the closing price of the Class A Ordinary Shares as stated in the Stock Exchange’s daily quotation sheet. Please see the paragraph headed “Waivers and Exemptions – Exercise Price of Options to be Granted Pursuant to the 2015 Equity Incentive Plan after the Listing” in this prospectus for more information.

(a) Purpose

The purpose of the 2015 Equity Incentive Plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors, and consultants and to promote the success of our business.

(b) Eligibility

Any employee, Director or consultant of the Company who is engaged by the Group to render consulting or advisory services to the Group shall be eligible to participate in the 2015 Equity Incentive Plan.

(c) Maximum number of Shares

Under the existing rules of 2015 Equity Incentive Plan, the current maximum aggregate number of ordinary shares we are authorized to issue pursuant to equity awards granted thereunder is 88,202,936 Shares. As of the Latest Practicable Date, the Company has granted outstanding equity awards in the form of options and RSUs pursuant to the 2015 Equity Incentive Plan representing a total of 65,500,175 Class A Ordinary Shares. The Company will not issue any further options pursuant to the 2015 Equity Incentive Plan between the Latest Practicable Date (for the purpose of the final prospectus) until the Listing.

Upon the Listing, the total number of Class A Ordinary Shares which may be issued and/or transferred upon vesting or exercise of all options that may be granted pursuant to the 2015 Equity Incentive Plan and any other share award schemes of the Company in aggregate shall not exceed 10% of the total number of Class A Ordinary Shares in issue immediately upon the Listing (the “**Plan Limit**”), being 49,914,656 Class A Ordinary Shares. Any equity awards in the form of options that were previously granted under the 2015 Equity Incentive Plan (including those outstanding, cancelled, lapsed in accordance with the 2015 Equity Incentive Plan or exercised options) will not be counted for the purpose of the Plan Limit. The total number of Shares to be issued upon exercise of all outstanding options under the 2015 Equity Incentive Plan to be amended and all other schemes of the Company granted and yet to be exercised shall not exceed 30% of all the Class A Ordinary Shares in issue from time to time.

(d) Plan Administration

The 2015 Equity Incentive Plan shall be administrated by the Board or any committee of the Board. The Board or the committee of the Board as administrator determines, among other things, the participants eligible to receive the awards, the number of Class A Ordinary Shares underlying the awards to be granted to each eligible participants and the terms and conditions of each award granted.

The Company may establish a trust and appoint a trustee (the “**Trustee**”) to assist with the administration, exercise and vesting of awards granted under the Plan. The Company may, to the extent permitted by the applicable laws, (a) allot and issue Shares to the Trustee and/or (b) direct and procure the Trustee to make on-market purchase of Shares, in either case to satisfy the awards upon vesting or exercise. The Company shall, to the extent permitted by the applicable laws, provide sufficient funds to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration, vesting and exercise of awards. If a Trustee is appointed, it is expected that the terms of the trust deed will provide that the Trustee will not exercise the voting rights attached to the Shares allotted and issued to the Trustee and/or acquired by the Trustee through on-market purchases for the purpose of the Plan before such Shares/ADSs are transferred to the participants upon vesting or exercise of the Awards.

(e) Awards

The 2015 Equity Incentive Plan permits the awards of options, restricted shares, and restricted share units (“**RSU**”) approved by the plan administrator. At the discretion of the Board or the committee of the Board as administrator, ADSs in an amount equivalent to the number of Class A Ordinary Shares which otherwise would be distributed pursuant to an award may be distributed in lieu of Class A Ordinary Shares in settlement of any award.

Awards under the 2015 Equity Incentive Plan are evidenced by an award agreement between the participant and the Company. Each award shall be subject to all applicable terms and conditions of the 2015 Equity Incentive Plan and set forth the terms, conditions and limitations for each award, which may include the term of the award, and the provisions applicable in the event of termination of services of grantee. We will also comply with the requirements under Chapter 14A of the Listing Rules (to the extent applicable) with respect to the grant of awards (including the grant of awards with respect to the Class A Ordinary Shares issued to the Depositary for bulk issuance of ADSs) to connected persons after the Listing.

(f) Terms and conditions of the 2015 Equity Incentive Plan

Unless terminated earlier, the 2015 Equity Incentive Plan has a term of ten years. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement. The award agreement shall set forth the provisions, terms, and conditions of each award including, but not limited to, the types of awards, award vesting schedule, number of awards to be granted and the number of shares to be covered by the awards, exercise price, any restrictions or limitations on the award and term of each award. Unless otherwise provided in the award agreement, no performance targets are required to be achieved before an option can be exercised.

Unless otherwise determined by the Board or Board committee as the administrator and so provided in the award agreement, an award shall be personal to the participant and may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any matter (whether by operation of law or otherwise).

(g) Options

Unless approved by the Shareholders in general meeting, the total number of Class A Ordinary Shares issued and to be issued and/or transferred and to be transferred upon the vesting or exercise of the options granted to each participant in any 12-month period shall not (when aggregated with any Class A Ordinary Shares underlying the awards granted during such period under any other share award schemes of our Company) exceed 1% of the Class A Ordinary Shares in issue for the time being.

Our Company will not grant any awards after inside information has come to its knowledge until (and including) the trading day after it has announced the information.

In addition, our Company will not grant any award during the period commencing one month immediately before the earlier of (i) the date of the Board meeting (or such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No awards will be granted by our Company during any period of delay in publishing a results announcement.

Furthermore, no option shall be granted (i) during the period of 60 days immediately preceding the publication date of the annual results of our Company or if shorter, the period from the end of the relevant financial year up to the publication date of such results; and (ii) during the period of 30 days immediately preceding the publication date of the half-year results of our Company or if shorter, the period from the end of the relevant half-year period up to the publication date of such results.

The Board or the committee of the Board as administrator determines the exercise price for each award, which shall not be lower than the fair market value per share on the date of grant, which shall not be less than the highest of (a) the closing sales price of the Class A Ordinary Shares as quoted on the principal exchange or system on which the Class A Ordinary Shares are listed (as determined by the Board or the Board committee delegated with authority to administer the 2015 Equity Incentive Plan) on the date of grant, (b) the average closing sales price as quoted on the principal exchange or system on which the Class A Ordinary Shares are listed for the five business days immediately preceding the date of grant. The maximum exercisable term is ten years from the date of grant. In the case of an option granted to a participant who, immediately prior to the time is granted, owns more than 10% of the total combined voting power of all classes of outstanding securities of our Company or parent company or subsidiary of our Company, the term of option shall not be exercisable after the expiration of five years from the date of grant.

(h) Voting and dividend rights

Until the Class A Ordinary Shares are issued, no right to vote or receive dividends or any other rights as a Shareholder shall exist with respect to the Class A Ordinary Shares.

(i) Amendment and termination

The Board or Board committee as administrator of the 2015 Equity Incentive Plan may at any time amend, alter, suspend, or terminate the 2015 Equity Incentive Plan, subject to compliance with the requirements under the Listing Rules, and shall obtain approval of the Shareholders of any amendment to the 2015 Equity Incentive Plan to the extent necessary or desirable to comply with applicable law. In particular, the specific provisions of the 2015 Equity Incentive Plan which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the participants and changes the authority of the Board in relation to any alterations of the terms of the 2015 Equity Incentive Plan shall not be made without the prior approval of the Shareholders in general meeting.

No amendment, alteration, suspension, or termination of the 2015 Equity Incentive Plan shall materially and adversely affect any award previously granted pursuant to the 2015 Equity Incentive Plan unless mutually agreed otherwise between the participant and the administrator, which agreement must be in writing and signed by the participant and the company.

Outstanding options and RSUs granted

For the detailed information regarding outstanding options and RSUs granted under the 2015 Equity Incentive Plan, please see the paragraph headed “– Outstanding options and RSUs granted under the 2015 Equity Incentive Plan” below.

2. Outstanding options and RSUs granted under the 2015 Equity Incentive Plan

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding options granted under the 2015 Equity Incentive Plan amounted to 59,763,675 Class A Ordinary Shares, representing approximately 10.33% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan). Among the 59,763,675 options, 29,566,175 had vested and 30,197,500 remained unvested as of the Latest Practicable Date. As at the Latest Practicable Date, we had conditionally granted options to 551 participants under the 2015 Equity Incentive Plan.

Assuming full vesting and exercise of all outstanding options granted under the 2015 Equity Incentive Plan, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under 2015 Equity Incentive Plan) will be diluted by approximately 9.36%. The dilution effect on our earnings per Share would be approximately 9.36%.

As of the Latest Practicable Date, the number of underlying Shares pursuant to the outstanding RSUs granted under the 2015 Equity Incentive Plan amounted to 5,736,500 Class A Ordinary Shares, representing approximately 0.99% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued under the 2015 Equity Incentive Plan). Of the 5,736,500 RSUs, none have vested and 5,736,500 remain unvested as of the Latest Practicable Date.

Upon the Listing, the Company may grant further awards representing a total of 64,889,052 Class A Ordinary Shares pursuant to the 2015 Equity Incentive Plan. Assuming the Company grants awards representing all such shares and assuming full vesting and exercise of all such awards, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) will be diluted by approximately 10.08%. The dilution effect on our earnings per Share would be approximately 10.08%. In compliance with Note (1) to Rule 17.03(3) of the Listing Rules, among the 64,889,052 Class A Ordinary Shares, only up to 49,914,656 Class A Ordinary Shares, representing approximately 10% of the total Class A Ordinary Shares in issue upon the Listing, may be issued pursuant to awards granted in the form of options.

Below is a list of the grantees of the outstanding options under the 2015 Equity Incentive Plan. Other than the grantees listed below, none of the grantees under the 2015 Equity Incentive Plan is a connected person of the Company.

Name	Address	Date of grant	Expiry date	Vesting period ⁽³⁾	Exercise price per Class A Ordinary Share (US\$)	Number of Class A Ordinary Shares underlying the outstanding options	Approximate % of issued shares immediately after completion of the Global Offering ⁽¹⁾	Approximate % of voting rights immediately after completion of the Global Offering ⁽²⁾
Directors								
Mr. Wang	Room 1502, Building 27, Century New City, Wener West Road, Hangzhou, Zhejiang, China	February 21, 2021	February 20, 2031	4 years	0.2	5,100,000	0.88%	0.31%
Mr. Yang	Room 201, Unit 1,	August 6, 2015	August 5, 2025	4 years	0.2	3,000,000	0.52%	0.18%
	Building 5,	April 2, 2018	April 1, 2028	4 years	0.2	700,000	0.12%	0.04%
	Lyue Huayu	January 5, 2021	January 4, 2031	4 years	0.2	2,800,000	0.48%	0.17%
	Yuan, Liangzhu Cultural Village, Liangzhu Road, Yuhang District, Hangzhou, Zhejiang, China							

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name	Address	Date of grant	Expiry date	Vesting period ⁽³⁾	Exercise price per Class A Ordinary Share	Number of Class A Ordinary Shares underlying the outstanding options	Approximate % of issued shares immediately after completion of the Global Offering ⁽¹⁾	Approximate % of voting rights immediately after completion of the Global Offering ⁽²⁾
(US\$)								
Liu Yao	Flat G, 12/F, Block 3, Sorrento, 1 Austin Road, Kowloon, Hong Kong	May 15, 2019 April 27, 2020 July 31, 2020 January 5, 2021 August 20, 2021 September 16, 2021	May 14, 2029 April 26, 2030 July 30, 2030 January 4, 2020 August 19, 2031 September 15, 2031	4 years 4 years 4 years 4 years 4 years 4 years	0.2 0.2 0.2 0.2 0.2 0.2	1,600,000 400,000 600,000 400,000 1,000,000 1,000,000	0.28% 0.07% 0.10% 0.07% 0.17% 0.17%	0.10% 0.02% 0.04% 0.02% 0.06% 0.06%
Subtotal						16,600,000	2.87%	1.00%
Connected Person								
Jeffrey Robert Immelt ⁽⁴⁾	36 Ocean Course Drive, Kiawah Island, SC 29455, United States	November 11, 2019	November 10, 2029	3 years	1.08	500,000	0.09%	0.03%
Other grantees who are granted options to subscribe for 1 to 99,999 Class A Ordinary Shares								
482 grantees	N/A	From March 5, 2015 to May 6, 2022	From March 4, 2025 to May 5, 2032	4 years	0.04135-2.88	9,794,675	1.69%	0.59%
Other grantees who are granted options to subscribe for 100,000 to 499,999 Class A Ordinary Shares								
52 grantees	N/A	From March 5, 2015 to May 6, 2022	From March 4, 2025 to May 5, 2032	4 years	0.2-1.08	9,239,000	1.60%	0.56%
Other grantees who are granted options to subscribe for 500,000 to 999,999 Class A Ordinary Shares								
3 grantees	N/A	From March 5, 2015 to January 17, 2022	From March 4, 2025 to January 16, 2032	4 years	0.2	1,810,000	0.31%	0.11%
Other grantees who are granted options to subscribe for 1,000,000 to 1,999,999 Class A Ordinary Shares								
6 grantees	N/A	From March 5, 2015 to May 6, 2022	From March 4, 2025 to May 5, 2032	4 years	0.2	7,580,000	1.31%	0.46%
Other grantees who are granted options to subscribe for 2,000,000 or above Class A Ordinary Shares								
2 grantees	N/A	March 5, 2015 to May 15, 2019	From March 4, 2025 to May 14, 2029	4 years	0.2	5,100,000	0.88%	0.31%
Other grantees who are granted options to subscribe for 3,000,000 or above Class A Ordinary Shares								
Ke Dumin	4-1-901, Wutong Jun, Xianlin Emerald City, Hangzhou	March 5, 2015	March 4, 2025	4 years	0.2	3,740,000	0.65%	0.22%
Sun Xintao	Room 102, Unit 4, Building 14, Wener New Village, Xihu District, Hangzhou	January 5, 2021	January 4, 2031	4 years	0.2	2,300,000	0.40%	0.13%
		March 5, 2015	March 4, 2025	4 years	0.2	400,000	0.07%	0.02%
		December 9, 2016	December 8, 2026	4 years	0.2	100,000	0.01%	0.006%
		May 12, 2017	May 11, 2027	4 years	0.2	600,000	0.10%	0.04%
		November 3, 2017	November 2, 2027	4 years	0.2	600,000	0.10%	0.04%
		February 22, 2018	February 21, 2028	4 years	0.2	200,000	0.03%	0.01%
		April 2, 2018	April 1, 2028	4 years	0.2	700,000	0.12%	0.04%
		May 15, 2019	May 14, 2029	4 years	0.2	500,000	0.09%	0.03%
Total						59,763,675	10.33%	3.59%

Notes:

- (1) The calculation is made assuming the Over-allotment Option is not exercised, no further Shares are issued under the 2015 Equity Incentive Plan.
- (2) The calculation is made assuming that the Over-allotment Option is not exercised, no further Shares are issued under the 2015 Equity Incentive Plan, no Class B Ordinary Shares are converted into Class A Ordinary Shares and without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan.
- (3) The exercise period of the options granted shall commence from the date on which the relevant options become vested and ended on the expiry date, subject to the terms of the relevant 2015 Equity Incentive Plan and the share option award agreement signed by the grantee.
- (4) As at the Latest Practicable Date, Mr. Jeffrey Robert Immelt was our Director. He has resigned from directorship before the date of this prospectus.

Below is a list of the grantees of the outstanding RSUs under the 2015 Equity Incentive Plan. None of the grantees under the 2015 Equity Incentive Plan is a connected person of the Company.

Number	Date of grant	Vesting period⁽³⁾	Number of Class A Ordinary Shares underlying the outstanding RSUs	Approximate % of issued shares immediately after completion of the Global Offering⁽¹⁾	Approximate % of voting rights immediately after completion of the Global Offering⁽²⁾
Other employees					
534 grantees	From June 16, 2021 to May 6, 2022	4 years	5,736,500	0.99%	0.34%
Total			5,736,500	0.99%	0.34%

Notes:

- (1) The calculation is made assuming the Over-allotment Option is not exercised, no further Shares are issued under the 2015 Equity Incentive Plan.
- (2) The calculation is made assuming that the Over-allotment Option is not exercised, no further Shares are issued under the 2015 Equity Incentive Plan, no Class B Ordinary Shares are converted into Class A Ordinary Shares and without taking into account the voting rights attached to the 25,691,894 Class A Ordinary Shares (as of the Latest Practicable Date) held by the Depositary which may be used to satisfy any future exercise or vesting of awards granted under the 2015 Equity Incentive Plan.
- (3) HUANG Sidney Xuande has entered into a director service agreement with the Company on June 16, 2022, pursuant to which it is agreed that the Company will grant RSUs representing a total of 400,000 Class A Ordinary Shares or ADS in equivalent amount pursuant to 2015 Equity Incentive Plan on the Listing Date, and the RSUs shall vest in 25% each for 4 years.

E. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, (i) the Class A Ordinary Shares in issue and to be issued pursuant to the Global Offering (including the additional Class A Ordinary Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Class A Ordinary Shares which may be issued pursuant to the 2015 Equity Incentive Plan; and (iii) the Class A Ordinary Shares that are issuable upon conversion of the Class B Ordinary Shares on the Main Board of the Stock Exchange.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each Joint Sponsor will receive a fee of US\$500,000 for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualification
Merrill Lynch (Asia Pacific) Limited	A licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Morgan Stanley Asia Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Jia Yuan Law Offices	Legal advisors to our Company as to PRC law
Maples and Calder (Hong Kong) LLP	Legal advisors to our Company as to Cayman Islands law
Appleby (Cayman) Ltd	Legal advisors to our Company as to Cayman Islands law in respect of certain aspects of Wang's Family Trust
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50)
	Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
China Insights Industry Consultancy Limited	Industry Consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries and Consolidated Affiliated Entity or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

The Company did not incur any material preliminary expenses.

8. Other Disclaimers

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or shares as fully or partly paid otherwise than in cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted, have been paid or are payable in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and
 - (iii) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the 2015 Equity Incentive Plan, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option and outstanding options under the 2015 Equity Incentive Plan), have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

- (b) Save as disclosed in this prospectus:
- (i) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus;
 - (ii) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (iii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) none of the Directors or the experts named in the paragraph headed “– E. Other Information – 4. Consents of Experts” in this section above has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
 - (v) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (vi) our Company has no outstanding convertible debt securities or debentures;
 - (vii) we do not have any issued and outstanding, authorized or otherwise created but unissued debt securities or term loans;
 - (viii) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business; and
 - (ix) none of the Directors are materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **GREEN** Application Form;
- (b) the written consents referred to under the paragraph headed “Statutory and General Information – E. Other Information – 4. Consents of Experts” in Appendix IV; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at ir.tuya.com during a period of 14 days from the date of this prospectus:

- 1. the Memorandum and the Articles;
- 2. the Accountant’s Report, the texts of which are set out in Appendix I;
- 3. the report on the unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the texts of which are set out in Appendix IIA;
- 4. the report on review of interim condensed consolidated financial information of the Group for the three months ended March 31, 2022 received from PricewaterhouseCoopers, the texts of which are set out in Appendix IIB;
- 5. the audited consolidated financial statements of our Company for the three financial years ended December 31, 2019, 2020 and 2021;
- 6. the PRC legal opinions issued by Jia Yuan Law Offices, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- 7. the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing the constitution of the Company and certain aspects of the Cayman Islands law referred to in Appendix III;
- 8. the legal opinion prepared by Appleby (Cayman) Ltd, our legal advisor on Cayman Islands law, in respect of certain aspects of Wang’s Family Trust;

9. the Cayman Companies Act;
10. the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed “Industry Overview”;
11. the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 4. Consents of Experts” in Appendix IV;
12. the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts” in Appendix IV;
13. the service agreements with our Directors referred to in the paragraph headed “Statutory and General Information – C. Further Information about our Directors, Senior Management and Substantial Shareholders – 1. Particulars of Directors’ service agreements” in Appendix IV; and
14. the terms of the 2015 Equity Incentive Plan.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the 2015 Equity Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 18/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus.

