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OVERVIEW

We are an internet company in China, offering video- and audio-based live entertainment and social networking services to our users. China’s online video and audio social entertainment market consists of platforms offering video (i.e., short video and video-based live streaming) and audio (i.e., online music, audio and other innovative audio interactive services) social entertainment services. As a segment of video social entertainment market, China’s live streaming market includes platforms that offer live streaming services and primarily generate revenues from virtual gifting and other monetization methods. Based on content offerings, China’s live streaming market can be further divided into sub-segments of entertainment, gaming and e-commerce, with entertainment live streaming currently being the largest market segment by revenue. We operate one of the leading online entertainment live streaming platforms in China. Total revenue of entertainment live streaming platforms in China accounted for approximately 7.0% of China’s online video and audio social entertainment market in terms of revenue in 2021. We ranked among the top two online entertainment live streaming platforms in China in terms of monthly active users and monthly paying users from apps and websites on mobile and PC, as well as WeChat mini programs, and monthly usage time on mobile apps and PC clients in 2021, according to the iResearch Report. According to the same source, we ranked third among all online entertainment live streaming platforms in China in terms of revenue generated from apps and websites on mobile and PC, as well as WeChat mini programs in 2021, accounting for approximately 13.1% of total revenue of China’s entertainment live streaming platforms and approximately 0.9% of total revenue of China’s video and audio social entertainment market in 2021.

We focus on the sphere of online social entertainment, with a business portfolio from live streaming to a suite of multi-faceted video- and audio-based social networking products and services. We believe we have crafted our platforms to meet the needs and interests of users in China and selected overseas markets, popular among the Generation Z users in particular. We had 414.9 million registered users as of May 31, 2022, with Generation Z users accounting for approximately 61.3% of our average MAUs of *Huajiao*⁽¹⁾ in the five months ended May 31, 2022, based on the information provided by our users. In 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, the revenue generated from *Huajiao* (excluding *Naitang*) was RMB2,165.7 million, RMB2,809.5 million, RMB3,251.9 million, RMB1,312.7 million and RMB1,379.3 million, respectively, representing 76.5%, 76.3%, 70.7%, 72.9% and 66.1% of our total revenue in the same periods, respectively. From 2017 to 2020 and in 2022, we were ranked among the “China’s Top 100 Internet Companies,” an award to internet companies with social influence, growth potential and social responsibility.

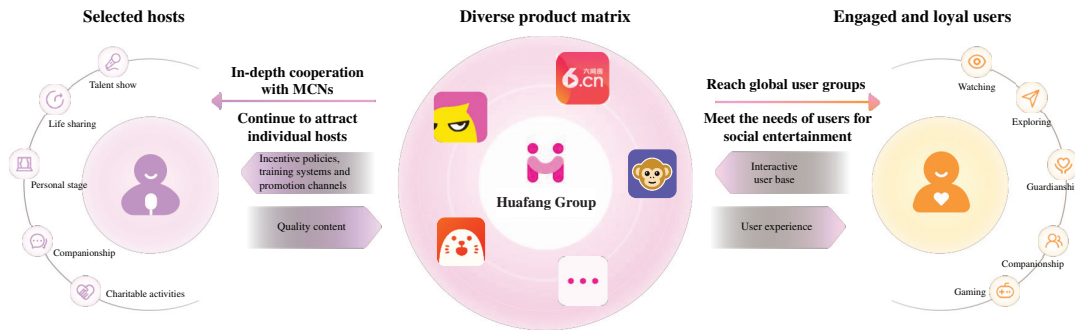
We have continued to capture user needs and industry trends to refine our products and services. Capitalizing on our know-how and experience accumulated through the operations of our flagship products, *Huajiao* and *6.cn*,⁽²⁾ we are a popular destination for entertainment live streaming experience. According to the iResearch Survey, we have established *Huajiao* as a well-known and popular product among entertainment live streaming platforms, with more than 67% respondents recognizing our brand first among other entertainment live streaming platforms. We have also introduced our audio-based social entertainment and networking apps, in addition to our investment in or incubation of various specialty social networking services

(1) Throughout this document, unless stated otherwise, *Huajiao*’s operating results included that of *Naitang* (formerly known as *Huazhi* until the official change of name in August 2022), a stand-alone audio-based product introduced in May 2019.

(2) Throughout this document, we only include *6.cn*’s operating results in 2019 since the completion of the *Huajiao-6.cn* Merger (from May through December 2019).

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in scenarios such as social discovery, social networking and group chat. As of the Latest Practicable Date, we launched products and services to cover various media channels, including mobile apps and PC clients, content expressions, including live streaming, short videos and audio communications, and service genres, including general entertainment and social networking, in order to reach and engage a broad user base.



The viability of our content ecosystem is critical to our success. We provide opportunities that transform beginner hosts into influencers, enabling them to gain proficiency and popularity and to develop with us professionally. On the supply side, we collaborate with talent agencies to facilitate a smooth supply of hosts to stream and perform on our platform. We have developed a talent fostering system to identify, develop, and train hosts, with execution plans on host training and promotion, content production and monitoring. We have aggregated a large number of viable individual hosts, leveraging our brand, career advancement opportunities and favorable collaboration policies. On the demand side, leveraging our technological capability, we connect users with relevant content, creating a cycle evolving around the positive interaction between our content production and user base.

We have cultivated an online user community that demands for quality content to foster a sense of diversity and inclusiveness in their pursuit of happiness, companionship and satisfaction. We believe we offer satisfactory user experience, utilizing technologies in the pertinent fields to ensure streaming quality on both mobile apps and PC clients. We leverage our AI video special-effect technology and 3D engine technology to create a sense of participation and immersion among our users. We also apply our data processing and AI technologies to optimize our operations, which allows us to meet user demands with customized services. With the user experience we deliver, backed by our user-centric feedback mechanism and customer service, we can effectively retain our users, as evidenced by our paying user retention rate of 72.2% and 67.9% for *Huajiao* and *6.cn* in the five months ended May 31, 2022, respectively.

We have continued to explore opportunities in the overseas market to launch products and services centered on social discovery. Leveraging our rich experience in product development and operations, we have introduced regional products and services, embodying the local trends and cultural elements, to meet the demands of overseas users. Our overseas social networking products for video-based social networking, including *HOLLA* and *Monkey*, have attracted a growing user community, with approximately 97.3 million and 112.7 million registered users as of December 31, 2021 and May 31, 2022, respectively.

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We achieved strong revenue growth during the Track Record Period. Our revenue was RMB2,830.9 million, RMB3,683.5 million, RMB4,599.7 million, RMB1,801.6 million and RMB2,087.4 million in 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, respectively. Our gross profit was RMB705.7 million, RMB1,011.4 million, RMB1,222.6 million, RMB499.7 million and RMB541.7 million in 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, respectively, representing a gross profit margin of 24.9%, 27.5%, 26.6%, 27.7% and 26.0% of the same periods, respectively. Our net profit/(loss) was RMB191.3 million, RMB(1,524.7) million, RMB325.0 million, RMB136.2 million and RMB177.9 million in 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, respectively. Our adjusted net profit/(loss) (non-IFRS measure) was RMB210.6 million, RMB(1,505.9) million, RMB430.6 million, RMB156.2 million and RMB194.0 million in 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, respectively. See “Financial Information — Key Components of Our Results of Operations — Non-IFRS Measure” for details. Our adjusted net loss (non-IFRS measure) position in 2020 was primarily due to the impact of the recognition of an impairment loss of RMB1,777.7 million in 2020 for the goodwill arising from the Huajiao-6.cn Merger. See “Financial Information — Key Components of Our Results of Operations — Impairment Loss of Goodwill” for details.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors. We also plan to thrive on the following competitive strengths that can differentiate us from our industry peers to maintain our competitiveness in the market.

One of the leading online entertainment live streaming platforms in China

We are an internet company in China, offering video- and audio-based live entertainment and social networking services to our users. We operate one of the leading online entertainment live streaming platforms in China. We ranked among the top two online entertainment live streaming platforms in terms of monthly active users and monthly paying users from apps and websites on mobile and PC, as well as WeChat mini programs, and monthly usage time on mobile apps and PC clients in 2021, according to the iResearch Report. According to the same source, we ranked third among all online entertainment live streaming platforms in China in terms of revenue generated from apps and websites on mobile and PC, as well as WeChat mini programs in 2021, accounting for approximately 13.1% of total revenue of China’s entertainment live streaming platforms and approximately 0.9% of total revenue of China’s video and audio social entertainment market in 2021.

We have established our position in the market since the inception of our business. Tracing back to their origins in 2010 and 2015, respectively, our flagship products, *6.cn* and *Huajiao* have generated market appeal and brand influence. The Huajiao-6.cn Merger in 2019 has allowed us to combine the advantages of mobile apps and PC clients, through the exchange and sharing of experiences and resources in various business aspects, including product operations, events planning, content creation, host management and regulatory compliance. For

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example, our operational experience in user interactions through *6.cn* has substantially enhanced the variety of the content and activities generated on *Huajiao*. Despite the differentiated brand cultures and user cohorts, the integration of operational experiences and resources has created synergies to facilitate the overall user attraction and engagement. As of May 31, 2022, we had 221.2 million and 80.9 million registered users on *Huajiao* and *6.cn*, respectively. Our average MAUs were 45.5 million, 50.1 million, 59.4 million and 58.6 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. *Huajiao*'s revenue increased at a CAGR of 26.6% from RMB2,165.7 million in 2019 to RMB3,469.2 million in 2021, and by 9.8% from RMB1,360.5 million in the five months ended May 31, 2021 to RMB1,493.2 million in the five months ended May 31, 2022. *Huajiao*'s gross profit increased at a CAGR of 39.5% from RMB423.2 million in 2019 to RMB823.7 million in 2021, and by 5.8% from RMB343.2 million in the five months ended May 31, 2021 to RMB363.0 million in the five months ended May 31, 2022. *6.cn*'s revenue increased by 19.5% from RMB843.7 million in 2020 to RMB1,007.9 million in 2021, and by 30.9% from RMB403.2 million in the five months ended May 31, 2021 to RMB527.8 million in the five months ended May 31, 2022. *6.cn*'s gross profit increased by 7.0% from RMB320.6 million in 2020 to RMB343.1 million in 2021, and by 3.1% from RMB143.1 million in the five months ended May 31, 2021 to RMB147.5 million in the five months ended May 31, 2022.

Our operational experiences have also enabled the rollout of a cluster of video- and audio-based social networking products and services, including our audio-based app *Naitang* in May 2019. Leveraging the rapid development of “Ear Economy,” our audio-based products have developed rapidly. We generated revenue from our audio-based live streaming services of RMB193.0 million, RMB523.1 million, RMB1,106.4 million, RMB376.7 million and RMB565.6 million in 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, respectively, accounting for 6.8%, 14.3%, 24.7%, 21.4% and 28.0% of our total revenue generated from live streaming services for the same periods, respectively.

We nurture viable hosts and quality content to build our brand recognition, cultivate a unique community culture, and attract a large number of users. Through user participation in our online community, we have fostered a sense of diversity and inclusiveness among them, which in turn represents significant value propositions for our hosts to produce more quality content and attract more users with greater spending power to our platform, forming a positive flywheel effect.

We have demonstrated our ability to sustain secular growth in China's highly competitive entertainment live streaming industry, as platforms competed more vigorously for user time and viable hosts, and new players, including major internet companies in China, continued to enter into the entertainment live streaming industry. Against such backdrop of the intense competition, we were able to achieve net profit position in 2021 and further increase our profitability, as evidenced by the growth in net profit margin from 7.6% in the five months ended May 31, 2021 to 8.5% in the five months ended May 31, 2022.

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Expanding ecosystem of quality content

We have cultivated an expanding ecosystem of quality content, through which we deliver real-time entertainment to our users. As of May 31, 2022, our content library covered 14 major categories of content, such as music, dance, talk shows, outdoor activities and gaming, and more than 40 sub-categories of streaming programs. We believe that our catalogue enables users to conveniently locate their favorite content, which improves users’ reviewing experience and helps us improve user retention.

We have assembled a troupe of hosts to deliver a wide range of performance in our virtual live streaming rooms and audio chat rooms, which forms part and parcel of our repertoire of quality content. We value our collaboration with talent agencies, including many influential MCNs in China. We have gained in-depth insights into the demands of talent agencies and tailored our management tools and collaboration policies to help such partnered talent agencies grow with us. We have maintained stable collaborative relationships with most major talent agencies in China, who desire to supply talents and recommend quality user resources to our platform and improve the development and monetization of the hosts they manage. We believe that the collaboration with talent agencies is instrumental to the sustainable supply of quality content on our platform, which in turn generates user traffics. In the five months ended May 31, 2022, 467 of our top 500 hosts were associated with talent agencies. In this way, we attract beginner hosts to our platform and facilitate their growth to achieve personal fulfillment and career advancement. Our actual revenue-sharing ratio with hosts and talent agencies in 2021 and the five months ended May 31, 2022 was 67.1% and 68.6%, respectively, which was higher than the industry average and that of major short video and live streaming platforms, according to the iResearch Report. We believe that our competitive revenue-sharing ratio has enabled us to attract new hosts and talent agencies and increase the stickiness of existing hosts and talent agencies to our platform, which in turn help attract new users and retain existing ones.

We have established a talent fostering system to evaluate hosts with the potential to become influencers, and we customize our training and management strategies to individual hosts and hosts associated with talent agencies. We offer onboarding support to beginner hosts and newly partnered talent agencies to facilitate the production of quality content and enable them to advance professionally with us. For example, we hosted the online contest in collaboration with popular variety shows, such as the *Voice of China* (中國好聲音) and *Miss World* (世界小姐), and recommended suitable hosts to participate in the castings of TV shows and movies. With the career advancement opportunities we offer, we enable people to discover and demonstrate their talents on our platform, creating an additional source of livelihood for nearly one million young people in China.

We strive to facilitate host growth by co-developing professionally generated content with our hosts. Our professional content development team is committed to creating high-quality official online programs for hosts, covering variety shows, talent competitions and talent shows, among others, enriching our ecosystem of quality content. For example, one of our Group’s self-developed online programs, *Dramatic Actors* (戲精請就位) combines role-playing and game interaction. Six hosts on our platform dressed in different roles and performed in

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various scenarios such as royal family conflict and romance. *Shining Nova* (閃耀新星), another self-developed online program of our Group, gathered new hosts with the potential to become popular hosts on our platform and even celebrities in the entertainment industry to compete with each other in rounds of talent shows. Their performances were evaluated by judges and our users. Our Group’s self-developed online programs also include *Blossom Winner* (花落大贏家), an online program where hosts discussed insights into personalities and relationships, *Beep Beep Debate* (嗶嗶戰嗆嗆), an online stand-up and debate program, and *Limitless Dance* (舞出極限), an online program where hosts performed dances with different culture and styles. We believe our self-developed online programs could further support our hosts and partnered talent agencies to facilitate the production of quality content and enable them to advance professionally with us.

Our content distribution system enables instant recommendation of relevant content to our users. We combine in-house professional editors with AI algorithms to match users with the relevant content, which in turn serves to retain existing users, attract new users and increase user engagement. Additionally, we have built an AI-powered content curation system based on user interests and content quality with a wide range of content categories and tags, which allows our users to easily locate the content that matches their interests and bond with other like-minded users. We also select the highlights of a streaming session to produce short videos for repeated viewing and dissemination to facilitate viewership and enrich our content library. We have also hosted a series of online and offline activities, such as the “*prettiest*” (最美) series and the “*pinnacle*” (巔峰) series on *Huajiao* and karaoke contests on *6.cn*, to deepen content dimension, strengthen host influence and enhance user engagement. Furthermore, we continue to capture market trends, such as virtual social discovery and wedding services, to satisfy the expansive user demands for meaningful social networking opportunities, especially during a time of restricted mobility during the COVID-19 pandemic.

We have helped hosts gain more followers and produce more content, which allows us to continuously expand our content library and deepen our talent pool. As of May 31, 2022, the number of registered hosts on our platform was 11.0 million, and average daily live streaming time per active host for each product exceeded 240 minutes in the five months ended May 31, 2022.

Community of engaged and loyal users with demand for quality content

Users come first to everything we do. With our quality content and diverse social interaction functions, we have cultivated a vibrant online user community. We continue to experience a steady growth in our user base and engagement. Attracted by the quality content and interactive functions of our platform, Generation Z users have become our core user cohort, and accounted for approximately 61.3% of our average MAUs and 59.3% of paying users on *Huajiao* in the five months ended May 31, 2022, respectively, based on information provided by our users. In the five months ended May 31, 2022, our average MAUs were 58.6 million, and our paying user retention rate for *Huajiao* and *6.cn* was 72.2% and 67.9%,

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respectively. According to the iResearch Report, we ranked among the top two online entertainment live streaming platforms in terms of MAUs and monthly paying users from apps and websites on mobile and PC, as well as WeChat mini programs in 2021.

We have fostered a vibrant online community. Over the years, the accumulation of users has also strengthened the bond within our user community and facilitated user acquisition. We believe that Generation Z users have keen desires for self-expression and companionship through meaningful interactions to socialize and gain a sense of recognition. They also, in large and growing numbers, participate in the creation, sharing and promotion of quality content. As such, not only do we satisfy the user needs for personalized leisure and entertainment through quality content, but we also satisfy their desires for social interaction, companionship, satisfaction and recognition through a variety of interactive experiences to form an interconnected user community. At the same time, users and hosts spontaneously knit together a multilateral social relationship network among themselves, making it an integral part of their life to further cement user engagement and loyalty.

We make every effort to attract and retain valued users on our platform. We have established *Huajiao Club*, which is an exclusive community where users with high cumulative spending can enjoy complementary personalized services, such as birthday gift, top-up assistant, dedicated account manager, among others. Membership of *Huajiao Club* is free of charge, and as of the date of this document, *Huajiao Club* has approximately 8,500 members. *Huajiao Club* is supported by a specialized in-house service teams who strive to provide excellent user experience for *Huajiao Club* members. We have implemented similar member program for *6.cn*, which has approximately 4,500 members as of the date of this document. We believe that we are well-positioned to build a trust-based relationship with our valued users and enhance stickiness of these users to our platform. We also believe that these exclusive communities help us maintain favorable monthly ARPPU for *Huajiao* and *6.cn*. In the five months ended May 31, 2022, the monthly ARPPU for *Huajiao* and *6.cn* was RMB293 and RMB580, respectively. According to the iResearch Survey, we ranked among the top two entertainment live streaming platforms in terms of viewing frequency.

We cherish the experience of every user. Guided by our user-centric feedback mechanism and customer service, we strive to deliver user experience that exceeds their expectations, which we believe further enhances user engagement and retention. We continue to improve product designs and service strategies based on user feedback to optimize user experience. To this end, we have formulated a monthly product feedback mechanism to have our product design team leader communicate with users to ensure timely processing of their feedback. In addition, we also provide users with professional customer service, with members to respond to user demands promptly and ensure that all the demands can be solved in a satisfactory and timely manner.

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We execute multi-brand approach to user acquisition, which allows us to provide social entertainment and networking products and services that appeal to a wide spectrum of users. We have also launched *Naitang*, an audio-based product to capture the growing online audio social entertainment market. By positioning relevant brands to each user segment, we are able to reach a greater number of users.

The social networking experience and community atmosphere we have nurtured inspire our users to actively interact on our platform. In response, we offer users opportunities to facilitate interaction, with our diversified virtual gifting options. Users can purchase virtual items on our platform as gifts to their favorite hosts to show their affection or support and also interact with or gain peer recognition among users. As of May 31, 2022, we offered approximately 970 and 820 types of virtual gifts on *Huajiao* and *6.cn*, respectively, with a range of special effects and prices, to meet the dynamic user needs for virtual gifting and interactions. As we continue to upgrade our virtual gifting system, we are able to further improve user engagement and participation, solidify community culture, and reinforce the foundation of our growing user base.

Expanding global presence supported by rich overseas operational capability

We actively seek to expand into the global markets, as we believe that people’s needs for social entertainment are persistent and universal, transcending all cultures and borders. Leveraging our operational experience, we believe we can launch products and services in social networking and entertainment to serve a global user community. The global Generation Z users have strong social entertainment needs and diverse preferences exclusive to their age cohort, which has not been fully addressed by traditional social media products, and due to the different culture and user habits, there are notable variations in the social entertainment needs of Generation Z users in different geographical regions, including North America, Europe, Far East and MENA, representing ample opportunities for innovative social networking products and services in each local market.

Our overseas business team is experienced in international operations. Benefiting from their extensive operational experiences and overseas background, we have developed an understanding of the local cultures, values and market dynamics of our target markets, which allows us to accurately appreciate the preferences of local users and design customized products and services through localization strategies. We have launched various products and services focusing on social discovery, such as *HOLLA* and *Monkey*, which quickly won praise in their respective markets. In the second half of 2020, *Monkey* ranked among top five in the U.S. free social networking app rankings by Apple’s App Store. Our overseas products for video-based social networking, including *HOLLA* and *Monkey*, have attracted a growing user community, with approximately 97.3 million and 112.7 million registered users as of December 31, 2021 and May 31, 2022, respectively. Our revenue generated from overseas products increased by 86.5% from RMB35.6 million in the five months ended May 31, 2021 to RMB66.4 million in the five months ended May 31, 2022.

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Strong technological capability to ensure user experience

Our strong technological capability is the foundation for the user experience we offer. According to the iResearch Report, in 2016, *Huajiao* became the first platform in the live streaming industry to utilize H.265 technology on an industrial scale, which significantly improved its on-screen quality and reduced network transmission costs. Our AI video special-effect technology has also allowed us to improve user experience. According to the iResearch Report, we are the first platform in the world to use “Mengyan,” a form of real-time facial filter, in live streaming. We have also developed in-house virtual background features, special effect recognition features for screen gestures such as “heart” and “like,” expression transfer features, and “hand puppet” and “finger heart” features to enhance the interactive and immersive experience of both users and hosts during live streaming sessions. For our 3D engine technology, we have developed avatar guardian gifts, 3D gifts and avatars customizable for each user to allow them to deepen their sense of participation and immersion, and at the same time, amplify the fun of live streaming. We also utilize data processing to efficiently match users with their favorite content.

We keep abreast of cutting-edge technologies, maintain strategic partnerships with universities, and collaborate with technology companies in terms of resource exchange and joint development. We also seek to advance our technologies in the fields of virtual reality and their potential application to our business operations. We value innovation and continue to invest in research and development efforts. To this end, we have assembled a research and development team of 254 members as of May 31, 2022.

Visionary and experienced management team

We benefit from the foresight and rich experience of our senior management team. Our chairman, Mr. ZHOU Hongyi, is a pioneer of China’s internet industry, a well-known investor and a respected entrepreneur. He has rich experience in the industry of internet services, information security and related investment fields, which provides guidance on our operations. Our Chief Executive Officer, Ms. YU Dan, has more than 10 years of experience in China’s internet and technology industries. Most of the other members of our senior management team have previously worked with well-known internet companies, with a focus on the relevant online social entertainment market. They have expertise and extensive experience in technology, product design, business operations and financial management, and they also pay close attention to the research and development trends of technology and changes in user needs.

Our management team is enthusiastic and equipped with in-depth industry insights. We have a relatively young management team, and most the members of our management team are under the age of 40, acutely aware of the interests and needs of younger generation. They are unwavering in their adherence to a “users foremost” mindset and a “simple but reliable” corporate culture, which has guided us in navigating this rapidly changing industry.

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GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business.

Further expand products and services to reach more users and optimize our ecosystem

We believe that the popularity of mobile network has diversified people’s social entertainment demands. We will continue to invest in the development of new services and features to meet the online social and entertainment demands of different user groups and further drive the growth in our user base. To this end, we plan to further enhance our talent fostering system to recruit, support and train viable hosts to further improve content quality and diversify our products and services. For example, we plan to establish our own host training teams consisting of 200 to 220 staff in the next two to three years to provide hosts with training on live streaming operations, content creation, communication techniques and performance skills. We also plan to incubate two to three in-house MCNs to groom potential talents. In addition, as we believe that video-based social entertainment products have great monetization potential, especially in certain overseas markets, such as North America and Europe, we are committed to exploring select overseas markets with favorable online entertainment environment and high growth potential. To this end, we plan to establish our overseas operation teams to support our market expansion and explore market opportunities in the growing social entertainment live streaming industry. We will continue to customize our products and services based on factors such as local cultures, regulatory requirements and user needs, implement our multi-brand strategy, and explore a variety of social entertainment forms, including gaming companionship, to achieve sustained future growth in such overseas markets.

Additionally, we will continue to explore the needs of users in different regions and the opportunities arising from the rapidly iterating audio and video technologies, which will allow us to continue to innovate our products and services to cover a wider range of regions and user cohorts. We will also leverage our brand recognition and market appeal to attract a diverse user base through marketing efforts and brand promotion to enhance our brand value. We will continue to match our product system to align with the growing diversification in our user base and improve our social entertainment ecosystem, and at the same time, continue to meet user needs and enrich their experience with us.

Further improve our content ecosystem and strengthen our core competitiveness

A rich and diverse ecosystem of quality content is the cornerstone of our sustainable development. We believe that the improvement of people’s standards of living will lead to the consumption upgrade in social entertainment content. As such, we will collaborate with more partners to establish more comprehensive incentive mechanics and talent fostering system to provide more opportunities to hosts and inspire them to produce more quality content and deliver the content to users more efficiently. We intend to enrich our content library through constantly introducing innovative products such as audio-based social networking and discovery products and gaming companionship products.

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Through years of operations and development, we believe we have nurtured a refined community culture which distinguishes us from other platform operators. We also aim to stimulate the growth of our user engagement and enhance user retention by constantly introducing new features and products that are appealing to potential users, such as professionally created content tailored to popular trends, interest-based feeds and content recommendation. We will continue to cement our cultural foundation and further improve our content ecosystem. At the same time, we will continue to enhance our monetization capability by improving our overall service system.

In addition, we will use our data processing and AI technologies to continuously optimize our operations, which has improved our ability to recommend relevant content to users and enhance user engagement. We will continue to leverage the unique advantages of the industry, coordinate the available industry resources, and assist in the supply of content featuring popular public interests and poverty alleviation and other charitable causes to assume more corporate social responsibilities and broaden our social influence.

Further improve user experience and loyalty and achieve more diversified monetization channels

We are devoted to making *Huafang* an interactive and attractive online social entertainment platform. We will continue to develop diversified features and interactive methods to enhance user experience and increase user engagement and loyalty. As our users and hosts share a common pursuit of quality social entertainment content, they resonate with each other through social interactions on our platform, forming emotional bonds that cross cultural and geographical boundaries.

As the user sense of identity, belonging and immersion in the community we fostered continues to grow, user needs will naturally arise in our ecosystem, which will continue to create ample monetization opportunities. We will further expand our products and services, strengthen and refine our operations, increase and diversify our sources of monetization, and optimize the functionality of our existing products. We will also attract users with a variety of paid products and services to increase the number of paying users and enhance our monetization capabilities as we continue to enhance the sense of participation and recognition among our users.

Further enhance our technological capability

We will continue to invest in technologies to better serve users and maintain our competitive advantages. We will continue to strengthen technological capability in various key aspects of our operations, including customized content recommendation and content and data analytics, to improve user experience and enhance use engagement. We will also utilize new technologies to ensure targeted exposure to user groups to help professional hosts generate more income and beginner hosts overcome the barriers of achieving success.

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Additionally, we will further utilize our data processing and AI technologies to improve our operations so we can scout more high-potential hosts, match them with our users, and continue to improve our AI content screening and review process to ensure content quality and regulatory compliance. We will also apply these technologies to deliver more customized products and services to users and business partners.

Furthermore, we will continue to maintain strategic partnerships with universities and technology companies to further enhance our technological capability. We will continue to explore the cutting-edge technologies required to build a virtual universe through in-house research and third-party collaboration, and develop multi-terminal content presentation capability to allow users to enjoy more immersive and diverse social experience on real-time basis.

Further expand our business through selective investment and acquisitions

We will selectively seek strategic alliances, investments and acquisitions to complement and improve our current business, expand our user base and broaden our products and services. Additionally, we will seek to collaborate with business partners to improve our ecosystem, enhance our user experience and strengthen our technological capability so we can provide users with more diversified and better quality products and services. Furthermore, we will seek potential expansion opportunities in certain emerging markets with high growth potential. When selecting potential investment targets, we will consider various criteria, including (1) their synergy with or complement to our business, (2) R&D capabilities in technologies relevant to our existing business, such as 3D engine and augmented reality, (3) locations in or proximity to our target markets, (4) past operating results and growth potentials, (5) financial performance, and (6) background of the management team. Specifically, we are primarily interested in investing in emerging companies with 50 to 100 employees, that satisfy our investment criteria and are complementary to our existing business. When considering potential acquisition targets, in addition to the aforementioned criteria, we will also require such acquisition targets to achieve annual revenue of no less than RMB200 million. We believe that through horizontal or vertical collaborations or acquisitions, we can further consolidate our market leadership and achieve success in the new market or field that we elect to enter. As of the Latest Practicable Date, we had not identified any target nor entered into any binding commitment for any strategic investments and acquisitions.

OUR PLATFORM

We offer live entertainment and video- and audio-based social networking services through our flagship products *Huajiao* and *6.cn*. We also offer social discovery and video-based chatroom services through our overseas social entertainment and networking products under HOLLA Group. Our platform enables users to interact with their favorite hosts and other like-minded people in the online space, so they can chat, sing, play and connect with other users.

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Huajiao

Launched in May 2015, *Huajiao* is our mobile app flagship product, which offers a stage for people who aspire to show their talents and share their skills, experience and lifestyles through interactive and entertaining experience delivered in live streaming sessions.

Users have easy access to our live streaming features, which allow them to watch, follow and explore content that interest them and chat with hosts and other users on a real-time basis. The interactive atmosphere and our user-centric feedback mechanism have created an open community for users to interact with their preferred hosts and fellow users, via a variety of features, including virtual gift giving, live chat and comment.

Leveraging the fast-growing “Ear Economy,” we have also introduced a variety of audio contents, such as audio live streaming, podcasts, music and talk shows on *Huajiao* since 2018. In 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, we generated revenue of RMB193.0 million, RMB506.7 million, RMB889.1 million, RMB328.9 million and RMB451.7 million from our audio-based live streaming products on *Huajiao*, respectively.

As of May 31, 2022, the number of *Huajiao*’s registered users reached approximately 221.2 million. In 2019, 2020, 2021 and the five months ended May 31, 2022, the average MAUs for *Huajiao* were 23.6 million, 27.4 million, 29.9 million and 30.6 million, respectively, and the average MPUs for *Huajiao* were approximately 802,000, 742,000, 935,000 and 1.0 million, respectively. *Huajiao* had approximately 10.4 million registered hosts as of May 31, 2022 and approximately 178,000 average monthly active hosts in the five months ended May 31, 2022.

Naitang

Unlike real-time video interaction, audio live streaming does not require hosts to reveal their appearance online, which provides greater privacy and protection against identity leak in real life, offering a less stressful streaming experience for some hosts. The nature of audio live streaming alleviates privacy concerns, which helps to expand the talent pool for hosts of our audio products. Further, as voice is the main perceivable identification in audio products and can be readily altered by voice changing software, one can assume separate persona in different scenarios, which create a sense of mystery and help evoke imagination among audience, as compared to video live streaming. Unlike video live streaming which typically has one host leading the streaming session, audio live streaming tends to involve many hosts in a streaming session, which encourages more active interactions among participants. In addition, audio live streaming enables users to use fragmented time and enjoy entertainment in a wider application scenarios, such as smart wearable devices, smart home devices and in-vehicle devices, since users can connect with hosts and listen to audio content at any time without paying close attention on screen. This new interactive mode subverts traditional video-based social interaction and has become increasingly popular among Generation Z users. Riding on the popularity of audio contents offered on *Huajiao*, we launched *Naitang* (formerly known as *Huazhi* until the official change of name in August 2022) in May 2019, which is an audio-based

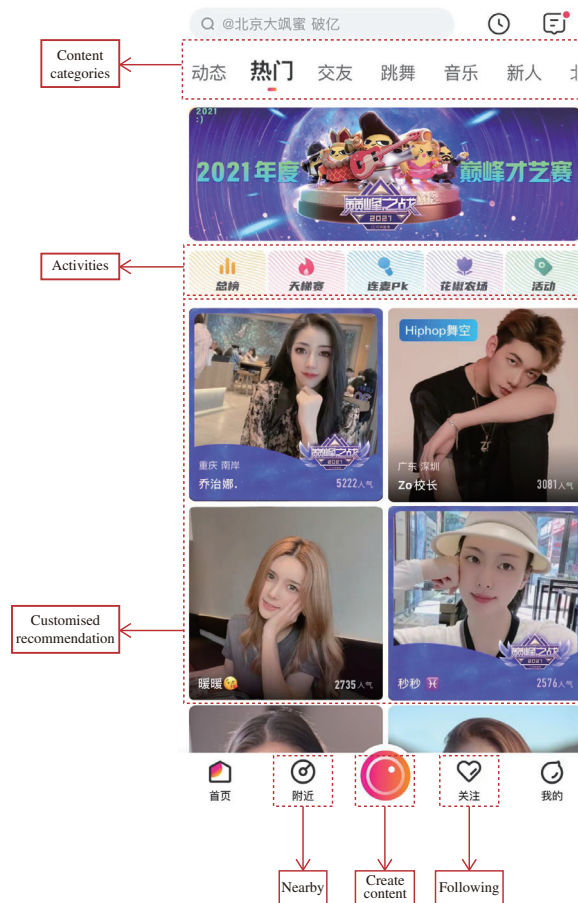
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product aiming to capture the growing online audio social entertainment market. *Naitang* enables users to create, edit, store and share audio contents to showcase their vocal talent. *Naitang* primarily provides group audio chat rooms and other audio contents, such as podcasts and audio live streaming covering a broad range of topics, including lifestyle, music radio and virtual idol performance. In 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, we generated revenue of nil, RMB16.4 million, RMB217.3 million, RMB47.8 million and RMB113.9 million from *Naitang*, respectively, representing nil, 0.6%, 6.3%, 3.5% and 7.6% of the revenue generated from *Huajiao* during the same period, respectively.

Witnessed the popularity of audio content on *Huajiao*, we developed *Naitang*, initially utilizing substantially the same underlying technologies and product development philosophy as that of *Huajiao*. Since its launch, *Naitang* has been managed under the same senior management team as that of *Huajiao*. Due to the similar operations of *Naitang* and *Huajiao*'s audio content, as well as the relatively small size of *Naitang* in terms of revenue and operation scale, we have included the operating and financial results of *Naitang* in that of *Huajiao*. *Naitang* and *Huajiao*'s audio content offer substantially the same audio-based live streaming functions. However, we believe that these two products do not directly compete with each other, primarily because they target different user groups. In particular, as an audio-based product that does not include any video live streaming content, *Naitang* primarily targets the user group with strong demand for audio content or those who are interested in listening to audio content at any time without paying close attention to the screen. *Huajiao*, as a video- and audio-based live streaming product, primarily provides video content to its users, targeting the user group interested in video live streaming. *Huajiao* provides audio content to its users mainly as an extension of its offerings, satisfying from time to time the demand of its users for such alternative mode of interaction. Therefore, we expect that these two products could complement each other and enlarge our user base of audio-based live streaming as a whole.

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The following screenshot illustrates the key features of *Huajiao*:



6.cn

6.cn is our PC client flagship product with its own mobile apps, *6.cn live streaming*, *Shiliu live streaming* and *Huafang live streaming*, which enable users to access content offered on *6.cn* through mobile phones. *6.cn* has more than 10 years of operating history and is one of the earliest live streaming products in China, according to the iResearch Report. The *Huajiao-6.cn* Merger in 2019 has allowed us to leverage the media and operational experiences of *6.cn* to diversify our service offerings and create an engaging experience for users. In addition, utilizing *Huajiao*'s extensive experience in operating mobile-based live streaming products, *6.cn* has launched several mobile-based apps to reach a wider user base.

At *6.cn*, hosts can form streaming clans and fan bases and compete against one another in karaoke and dancing contests, debates and gameplays, fostering a competitive environment that encourages user engagement. PC-based hosts are more likely to attract a large pool of dedicated users with a high level of engagement and form a close community with their fans. We believe that the competitive features of *6.cn* have helped us attract an engaged user base. As of May 31, 2022, *6.cn* accumulated 0.5 million registered hosts and 80.9 million registered users. In 2021, more than one-third of paying users of *6.cn* had been using *6.cn* for more than

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three years. For 2019, 2020, 2021 and the five months ended May 31, 2022, the average MAUs for 6.cn were 21.9 million, 22.7 million, 24.6 million and 23.3 million, respectively, and the average MPUs for 6.cn were 121,000, 166,000, 175,000 and 182,000, respectively.

The following screenshot illustrates the key features of 6.cn:



Key Interactive Functions on Our Platform

Our PC clients feature an enlarged chat interface, which displays more chat content among hosts and users than our mobile apps. Our mobile apps have a voice chat function to enable fast chat inputs, which allows our users to chat without obstructing the live streaming interface. In addition, our PC clients primarily target users with relatively longer live streaming watching time. According to the iResearch Report, users who tend to watch live streaming via PC, which provides better watching experience, generally have a longer watching time.

Virtual Gifting

The synchronicity and interactivity of live streaming enable users to co-experience and immerse themselves through their participation in live streaming. While there are many fun and entertaining ways for them to participate in live streaming, it is popular for users to purchase virtual items offered by live streaming platforms and send them to hosts as gifts to show their affection or support to the hosts and gain peer recognition among other users. All of our products, including our audio-based products, feature a virtual gifting function, which enables viewers to purchase virtual items with user tokens. These virtual gifts mimic real-life goods and luxuries ranging from flowers to yachts and rockets to differentiate their rarity and value. These virtual gifts float across the screen of the streaming room with special visual and/or sound effects, which makes gifting performative and entertaining. We offer these virtual items

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on our platform at different price points. As of the Latest Practicable Date, the price of virtual items on our platform ranged from RMB0.05 to RMB3,000. Our selection of lower-priced virtual items makes it easy for users with different spending power to show appreciation, and helps them familiarize themselves with the virtual gifting function. Gifting changes the one-way input from a host to the two-way interaction by the host and many users. The gifting of one user would entertain the fellow users in the same live streaming room and entice them to gift or perform together. We frequently release virtual items related to current events and popular culture trends to enhance their entertainment value.

Besides the virtual items which can be gifted anytime during a live streaming session, we also offer users the opportunities to show their support for hosts and gain peer recognition through our avatar guardianship system, which provides an avatar that exclusively accompanies the host for a specific period of time. We have also incorporated gaming elements into our avatar guardianship system, such as avatars with fighting statistics that can be improved through virtual items, and quest mechanism that award status and special effects for successfully completing various fighting quests. Users may also use avatars to compete with other users who have already become the guardian of a host. The winning avatar would be shown on the screen and exclusively accompany the host for a specific period of time, which can be extended by more virtual gifting. We believe the exclusive status and competitive elements of our avatar guardianship system help facilitate user engagement and their willingness to pay for virtual items.

The following screenshot illustrates some of our virtual items:

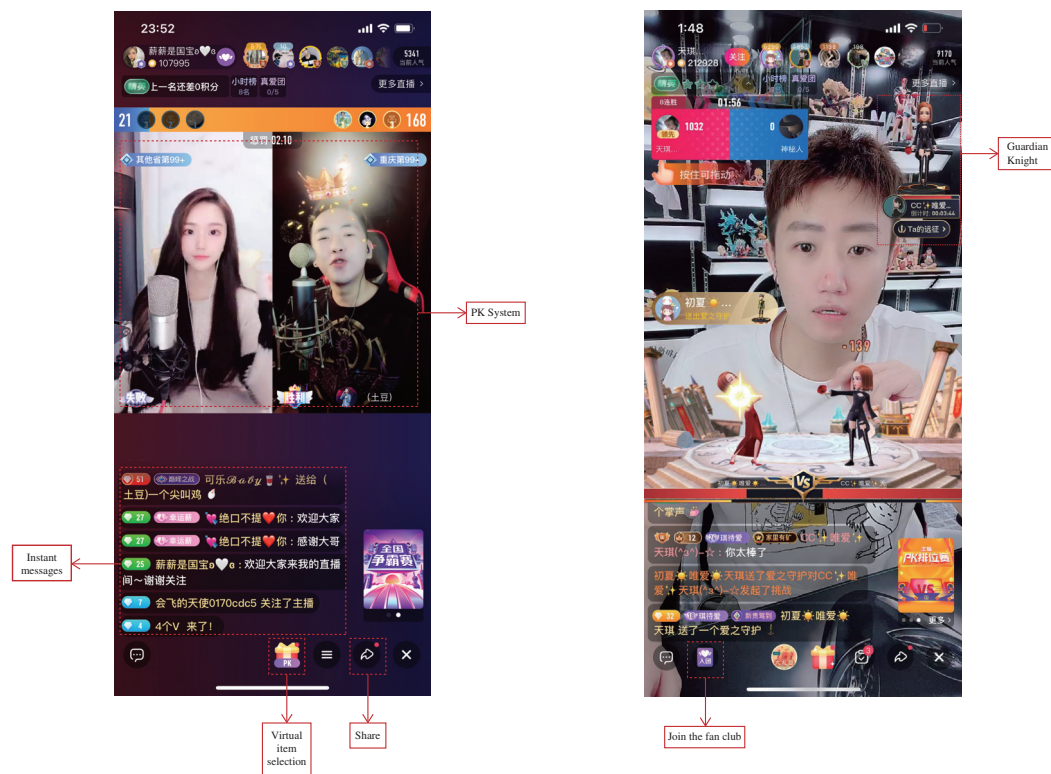


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PK System

We offer real-time PK functions, which enable hosts to connect their live streaming rooms and compete against each other in a rich variety of games, such as karaoke contests, talk shows and debates. The host who receives more virtual items in terms of aggregated value at the end of the session would win the PK battle, and the losing host will accept PK punishment, such as spoof special effects, to increase the entertainment value of PK. We believe that the competitive environment induced by PK battles encourages user engagement and virtual gifting, as users tend to actively interact with hosts and fellow users during the PK battle. Our PK functions offer hosts the opportunity to demonstrate their talents and perform for users in a competitive environment, which further encourages them to generate premium quality content in order to win support from their audience and expand their fan base. Beginner hosts may also PK with more experienced and established hosts to benefit from their user traffic and popularity so they can cultivate their own fan base more cost-effectively.

The following screenshots illustrate our PK functions:



Moments, Comments and Likes

We offer other online interactive functions that help attract users to and facilitate user interaction on our platform, which primarily revolve around live streaming and video and audio content, where users can share similar interests and bond with each other on a real-time basis. We also offer an array of purpose-built interactive features such as likes, user and host moments, fan clubs and comments, so that our users and hosts can form a vibrant and engaged

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social community by interacting with each other anytime and anywhere. For examples, users can support specific content or host by sending a “heart” or “like,” or share interesting or useful content with others on their moments. Users can leave comments to the posts of fellow users to share their reactions and communicate with other users who have similar interests and needs. Similarly, hosts can set up their own fan club pages and regularly provide updates about their lives, and interact with their fans by replying to fan comments. Fans of the same host can join the fan club of that specific host by making monthly/annual subscription. Members within the fan club can interact with each other and the host, and enjoy exclusive nameplate for members, exclusive virtual items, membership levels, among others. Such fan club feature is not available for our overseas social networking products. We believe that these interactive features contribute to enjoyable user experience, foster our engaged community and encourage users to spend more time on our platform.

Multiparty Streaming

Our multiparty streaming feature can support multiple streamers to host in the same live streaming room and interact and socialize with each other, which provides users with more entertaining and diverse quality content, such as group discussions, debates, group performance and talent contests.

Overseas Social Networking Products

Our experienced overseas business team has operated several international social networking products in North America, Europe, Far East and MENA under our HOLLA Group. In particular, among countries in Far East and MENA, our overseas social networking products primarily target users in Indonesia and Saudi Arabia. As of the Latest Practicable Date, we operated several social networking products under HOLLA Group, primarily including *HOLLA*, *Omega*, *Camsea* and *Monkey*, that offer social discovery and video and audio chat services to enable users to meet new people. Our social networking products focus on exploring the demand for socialization in overseas markets. For example, *HOLLA* is a mobile app primarily targeting the North American and European markets that features instant video and audio chat matching function, which enables users to chat with fellow users through a brief video or audio introduction. If they are interested in keeping in touch, they can become friends and chat or interact with each other in the future. Similarly, *Camsea* and *Monkey* are social networking products that primarily focus on the North American and European markets. We have also introduced other video-based social networking products such as *Omega*, which primarily targets Southeast Asia and MENA markets and enables users to find new friends and build social communities. All of these overseas social networking products focus on social discovery, video chat and audio-based companionship and help users meet potential friends by pairing them with other users through video chat rooms and enabling like-minded users to discover and develop meaningful relationships. For example, at *HOLLA*, users may be randomly paired up with other users or hosts, for which users could pay for the option to set their pairing criteria but without an option to pair up with hosts at will. If a user would like to chat with designated hosts they have randomly paired up and chatted with before, we charge

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such user for chatting-time-based fees. For our overseas social networking products, we only engage hosts sourced from talent agencies. In general, such hosts are based overseas, different from the hosts of our live streaming products, most of whom are based in China.

We deploy localized operation teams for HOLLA Group to learn the needs of the local markets and users, and maintain our sensitivity to local market conditions. Our local operation teams work with local third-party agencies and service providers to expand our overseas business operations. While our research and development teams and administrative departments are primarily located in China, our core management team visits countries with substantial operations of ours from time to time to strengthen their understanding about demands of users in these countries.

As of May 31, 2022, our overseas social networking products had approximately 112.7 million registered users. In the five months ended May 31, 2022, our average MAUs and average MPUs for our overseas social networking products were approximately 4.6 million and 354,000, respectively.

Key Operating Metrics

The following table sets out our key operating metrics of our platform for the period and as of the date indicated.

	As of/for the year ended			As of/for the	
	December 31,			five months ended	
	2019*	2020	2021	2021	2022
Cumulative registered users					
(in thousands)					
<i>Huajiao**</i>	175,939	195,968	214,971	204,676	221,223
<i>6.cn</i>	68,587	73,468	78,858	75,941	80,897
<i>Overseas social networking products</i>	N/A	N/A	97,288	73,941	112,744
<i>Group</i>	244,526	269,436	391,117	354,558	414,864
Increase in users (in thousands)					
<i>Huajiao**</i>	19,945	20,029	19,004	8,708	6,252
<i>6.cn</i>	68,587	4,881	5,390	2,473	2,039
<i>Overseas social networking products</i>	N/A	N/A	97,288	73,941	15,455
<i>Group</i>	88,532	24,910	121,682	85,122	23,746
Average MAUs (in thousands)					
<i>Huajiao**</i>	23,604	27,379	29,878	29,247	30,626
<i>6.cn</i>	21,908	22,709	24,619	24,724	23,345
<i>Overseas social networking products</i>	N/A	N/A	4,936	5,034	4,601
<i>Group</i>	45,512	50,088	59,433	59,005	58,571

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	As of/for the year ended			As of/for the	
	December 31,			five months ended	
	2019*	2020	2021	2021	2022
Average MPUs (in thousands)					
<i>Huajiao**</i>	802	742	935	911	1,018
<i>6.cn</i>	121	166	175	176	182
<i>Overseas social networking products</i>	N/A	N/A	290	186	354
<i>Group</i>	923	908	1,400	1,274	1,555
Monthly ARPPU (RMB)					
<i>Huajiao**</i>	273	350	310	298	293
<i>6.cn</i>	682	436	482	460	580
<i>Overseas social networking products</i>	N/A	N/A	36	39	38
Average daily viewing time per user (minutes)					
<i>Huajiao</i>	36	39	43	43	48
User acquisition cost (RMB)					
<i>Huajiao**</i>	14.0	17.1	19.9	18.0	22.6
<i>6.cn</i>	13.9	14.0	14.2	19.9	10.4
<i>Overseas social networking products</i>	N/A	N/A	0.4	0.9	1.5
<i>Group</i>	14.0	16.5	7.6	7.9	7.8
Number of paying users by the size of their total payments for the year/period indicated (in thousands)					
<i>Paying users with annual payments between RMB0.05 to RMB500</i>	2,607	2,471	8,793	4,816	3,326
<i>Paying users with annual payments between RMB500 and RMB5,000</i>	137	143	423	143	208
<i>Paying users with annual payments above RMB5,000</i>	55	58	127	33	67

* Throughout this document, unless stated otherwise, we only include *6.cn*'s operating results in 2019 since the completion of the Huajiao-6.cn Merger (from May through December 2019).

** Throughout this document, unless stated otherwise, *Huajiao*'s operating results included those of *Naitang*, a stand-alone audio-based product introduced in May 2019.

During the Track Record Period, our results of operations generally moved in an upward direction, primarily due to our commitment to attract users and hosts to our inclusive online community, and as a result of our continuous efforts to improve our operation capability and promote our brand recognition. The increases in users for *Huajiao* maintained at the relatively stable level of approximately 19.0 million from 2019 to 2021. The spike in increases users on *6.cn* in 2019 was partially due to the Huajiao-6.cn merger. The increases in users on *6.cn* in 2020 and 2021 were mainly as a result of our increased spending on user referral channels to introduce new users to *6.cn*. In addition, after the acquisition of HOLLA Group, we attracted

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a larger number of users from overseas market, and drove the growth in total increase in users of our Group, which increased from 24.9 million in 2020 to 121.7 million in 2021. The increase in users slightly slowed down for *Huajiao* during the five months ended May 31, 2022 as compared to that during the five months ended May 31, 2021, primarily because we focused more on improving existing users’ willingness to pay for our services, as evidenced by the increase in *Huajiao*’s average MPUs during the relevant periods. For the same reason, the increase in users for *6.cn* experienced a slight slow-down during the five months ended May 31, 2022 as well. The spike in increase in users for our overseas social networking products during the five months ended May 31, 2021 was primarily due to the acquisition of HOLLA Group.

During the Track Record Period, our Group’s average MAUs steadily grew in general, primarily due to our operational initiatives to enhance product function and user experience, our introduction of audio contents, and our platform-wide events to promote new hosts and attract new users. The conversion ratio from MAU to MPU of *Huajiao* remained relatively stable at 3.4%, 2.7%, 3.1% and 3.3% in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, which was consistent with industry average, according to the iResearch Report. The conversion ratio from MAU to MPU of *6.cn* ranged from 0.6% to 0.8% during the same periods, primarily because the MAU to MPU conversion ratio of PC-client live streaming platforms tends to be lower than that of mobile-based live streaming platforms due to difference in viewing and payment channels. According to the iResearch Report, users have become accustomed to mobile payment, and it is less convenient for PC users to top-up through PC clients, which led to a relatively lower MAU to MPU conversion ratio for PC-client platform.

The monthly ARPPU of *Huajiao* increased from RMB273 in 2019 to RMB350 in 2020 but decreased to RMB310 in 2021, primarily because *Huajiao* adopted an operational strategy to attract and retain users with smaller spending on virtual gifts through platform-wide events that expand consumption scenarios and experience for such users in 2019, which was temporarily suspended in 2020 and resumed in 2021. The monthly ARPPU of *Huajiao* remained relatively stable in the five months ended May 31, 2021 and 2022. The monthly ARPPU of *6.cn* decreased from RMB682 in 2019 to RMB436 and RMB482 in 2020 and 2021, respectively, mainly because (1) the COVID-19 pandemic had disproportionately greater effect on PC-based live streaming due to the government mandated mobility restrictions which could impede access to streaming studios, resulting in a general decline in the streaming quality of PC-based hosts, which became less attractive to users, especially top users, and (2) *6.cn* has focused on user traffic referrals and operational strategies that target users with smaller spending on virtual gifts since 2020. The monthly ARPPU of *6.cn* increased significantly from RMB460 in the five months ended May 31, 2021 to RMB580 in the five months ended May 31, 2022, primarily because we focused more on improving existing users’ willingness to pay for our services. In particular, our strategy to engage more hosts associated with talent agencies has enabled us to provide high-quality live streaming services at *6.cn*, which led to an increase in the revenue generated from hosts associated with talent agencies as a percentage of our total revenue from 69.9% in the five months ended May 31, 2021 to 86.5% in the five months ended May 31,

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2022. The monthly ARPPUs of *Huajiao* and *6.cn* were relatively lower than industry average during the Track Record Period, which was mainly due to our operational strategies to attract users with relatively limited spending power.

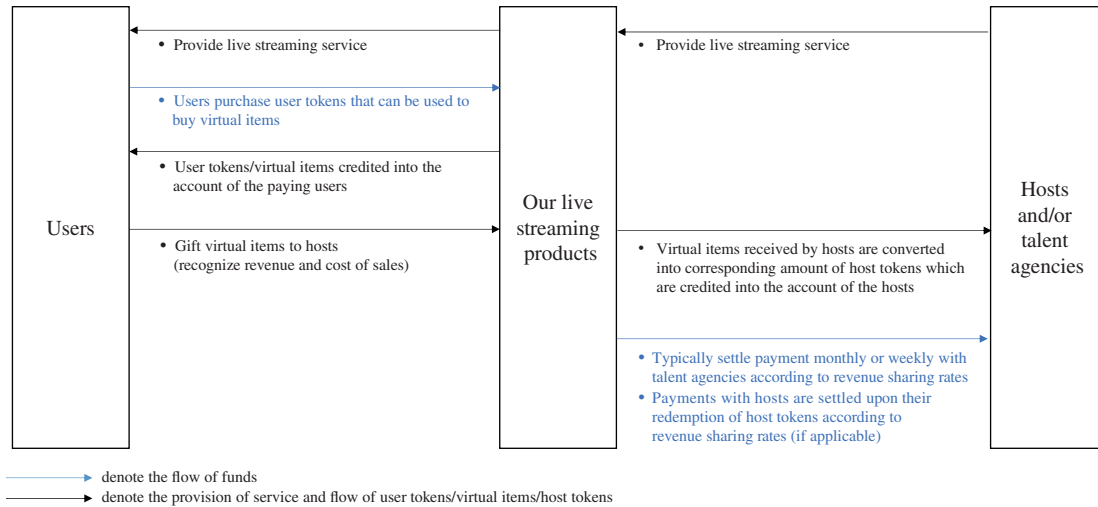
MONETIZATION CHANNELS AND REVENUE GENERATION

The size and vibrancy of our user community provide us with monetization capability. During the Track Record Period, we generated substantially all of our revenue from the sales of user tokens used to redeem virtual items and other services on our video and audio live streaming products. For example, users can purchase *Huajiao* beans, *6.cn* coins and *Naitang* beans, the user tokens of *Huajiao*, *6.cn* and *Naitang*, respectively, from our mobile apps and PC clients using Alipay, WeChat Pay, Apple Pay and other third-party payment channels to purchase virtual items and gift them to their preferred hosts during live streaming sessions. During the Track Record Period and up to the Latest Practicable Date, there was no minimum purchase requirement for virtual items on our platform. Users may also use these user tokens to purchase value-added services on a pay-as-you-use basis including, for example, more viewing and matching options on our products with social discovery functions, or membership of fan clubs of their favorite hosts. Once the paying users purchase our user tokens, their accounts will be credited immediately. The user tokens are not redeemable.

We share a portion of revenue generated from the virtual items received by hosts with such hosts and their associated talent agencies. Each virtual item is worth a certain amount of the host tokens, which can be exchanged into cash at a pre-determined ratio. When hosts receive virtual items, we will automatically convert the virtual items into the corresponding amount of host tokens, which will be credited into the accounts of the hosts and can be exchanged into Renminbi under the revenue sharing arrangements among us, hosts and their affiliated talent agencies, if any. Talent agencies can receive their portion of revenue-sharing payment based on the pre-determined ratio, which may be adjusted by the aggregate performance metrics of the hosts affiliated with them. The aggregate performance metrics include the length of streaming sessions and active streaming days in a given month, which may be adjusted by us from time to time to incentivize hosts to stream on our platform. During the Track Record Period, we recorded the sales of virtual items gifted to hosts as our revenue, and recorded our revenue shared with hosts and/or their associated talent agencies as cost of sales. We typically settle the aggregate payments with talent agencies on a monthly or weekly basis. Payments with hosts are settled when they redeem the host tokens. For each of our live streaming products, the conversion ratio of user token and host token is one to one.

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The following diagram illustrates the general monetization mechanism for our live streaming products, including *Huajiao*, *Naitang* and *6.cn*, and revenue sharing among us, individual hosts and/or talent agencies.



We determine the revenue sharing ratio as a percentage of the gross billings from the sales of virtual items attributed to hosts based on our standard platform policies, which set out the applicable revenue sharing ratios based on the value of the virtual items received by the hosts, and the aggregate billings from the sales of virtual items attributed to the related talent agencies, among others. For example, individual hosts will achieve higher earning if they record higher gross billing, or if they belong to talent agencies that record higher gross billing, in a particular month. Our pre-determined revenue sharing ratio for individual hosts is 40% and we provide additional cash rewards ranging from RMB350 to RMB20,000 for hosts on *6.cn* with higher gross billings. Talent agencies typically agree to adhere to our standard platform policies by signing up their hosts or streamer associations with our platform. Our pre-determined revenue sharing ratio for talent agencies is tiered based on the aggregate gross billings attributed to their affiliated hosts or streamer associations. Pursuant to our agreement with hosts and/or talent agencies, we share a portion of the gross billings from the sales of virtual items attributed to the hosts and/or their associated talent agencies based on a pre-determined ratio as stipulated in our platform-wide revenue-sharing policies effective at the time, which varied from 40% to 83% for *Huajiao*, from 40% to 70% for *6.cn*, and from 40% to 85% for *Naitang*, as of the Latest Practicable Date. In 2019, 2020, 2021 and the five months ended May 31, 2022, the actual revenue-sharing ratio with hosts and talent agencies was (1) approximately 73.5%, 71.0%, 71.5% and 71.6%, respectively, on *Huajiao*; (2) approximately 50.0%, 52.0%, 58.1% and 66.1%, respectively, on *6.cn*; and (3) approximately nil, 82.5%, 83.2% and 82.7%, respectively, on *Naitang*. As for talent agencies, the pre-determined revenue-sharing ratio is adjusted by the gross billing generated by their affiliated hosts, and the actual revenue sharing amount may vary among talent agencies. In general, talent agencies that have a greater number of hosts who generate higher gross billings during their contractual terms tend to enjoy higher revenue-sharing ratio. We determine and make adjustment to such pre-determined ratio, as appropriate, after considering the prevailing industry practice. Our pre-determined revenue sharing ration remained relatively stable during the Track Record

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Period. In addition, *6.cn* offers additional revenue-sharing if hosts satisfy performance requirement as part of our revenue-sharing policy, which we may adjust from time to time. For example, *6.cn* offers an additional 2.0% in revenue-sharing ratio if hosts streamed for more than 60 hours during each month in 2022. See “— Cooperation Agreements with Hosts and Talent Agencies.” According to the iResearch Report, our standard and actual revenue-sharing ratios during the Track Record Period were in line with industry practice.

Virtual Gifting and Value-added Services

We price virtual items based on factors such as the variety and duration of the special effects. The broad price range of virtual items on our various platforms offers a wide of options for users with different budgets. Our diverse selection of lower-priced virtual items makes it easy for users to show appreciation and support through small gifts, while higher-priced virtual items have special effects that enable users to win peer recognition during live streaming sessions. Designing virtual gifts is a core part of our operations. We constantly review and update our virtual items according to users’ demands and release new items or create new special effects that reflect the influence of current events and popular trends. Virtual items are usually gifted to hosts immediately upon purchase. During the discount period, users may also make advance purchases, in which case the purchased virtual items are deposited in user’s account inventory. The inventory item will expire after a specified period, and we do not refund the user tokens for any expired items. Our virtual items are not transferable. As of the Latest Practicable Date, the price of virtual items on our platform ranged from RMB0.05 to RMB3,000.

In addition to the virtual gifts, we also offer value-added services that can be purchased by user tokens, including upgrade and decoration of personal avatar, fan club membership and additional social discovery functions. For our fan club membership function, users may purchase monthly or annual fan club membership which grants additional privileges and differentiates fans from other users in the live streaming room.

We do not rely on any single host or a few hosts among our top ten hosts in each period during the Track Record Period. Our revenue from any single host accounted for no more than 4.5% of our total revenue during the Track Record Period. In 2019, 2020, 2021 and the five months ended May 31, 2022, our revenue from the host with most significant revenue contribution amounted to RMB34.7 million, RMB61.8 million, RMB62.3 million and RMB87.5 million, accounting for 1.2%, 1.7%, 1.4% and 4.2% of our total revenue, respectively. In the same periods, our revenue from the top ten hosts in total amounted to RMB202.6 million, RMB337.0 million, RMB421.8 million and RMB363.4 million, accounting for 7.2%, 9.1%, 9.2% and 17.4% of our total revenue, respectively. The following tables set forth the value of virtual gifts received by our top ten hosts in each period indicated during the Track Record Period, respectively.

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<u>Rank</u>	<u>Host</u>	<u>Associated talent agency</u>	<u>Actual revenue-sharing ratio of associated talent agency</u> (%)	<u>Value of virtual gifts received</u> (RMB'000)
<i>For the year ended December 31, 2019</i>				
1	Host A	Supplier A	83.0	34,691
2	Host B	Supplier C	83.0	24,854
3	Host C	Talent agency A	83.0	24,289
4	Host D	Supplier F	83.0	21,610
5	Host E	Talent agency B	82.7	20,444
6	Host F	Supplier F	83.0	17,857
7	Host G	Supplier A	83.0	17,601
8	Host H	Supplier E	82.8	14,729
9	Host I	Talent agency C	83.0	13,794
10	Host J	Supplier F	83.0	12,691
Total				202,559

<u>Rank</u>	<u>Host</u>	<u>Associated talent agency</u>	<u>Actual revenue-sharing ratio of associated talent agency</u> (%)	<u>Value of virtual gifts received</u> (RMB'000)
<i>For the year ended December 31, 2020</i>				
1	Host K	Supplier J	55.5	61,822
2	Host L	Supplier A	81.3	44,469
3	Host D	Supplier F	81.3	38,501
4	Host J	Supplier F	81.3	32,208
5	Host M	Supplier H	81.6	29,536
6	Host B	Talent agency D	81.2	27,712
7	Host N	Talent agency E	79.1	27,400
8	Host O	Talent agency F	81.4	26,545
9	Host P	Talent agency G	81.1	24,424
10	Host Q	Supplier F	81.3	24,394
Total				337,009

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<u>Rank</u>	<u>Host</u>	<u>Associated talent agency</u>	<u>Actual revenue-sharing ratio of associated talent agency</u> (%)	<u>Value of virtual gifts received</u> (RMB'000)
<i>For the year ended December 31, 2021</i>				
1	Host R	Supplier J	53.5	62,334
2	Host S	Supplier J	53.5	54,522
3	Host T	Talent agency H	62.7	44,120
4	Host D	Supplier F	82.7	43,825
5	Host U	Supplier K	50.8	43,177
6	Host V	Talent agency I	80.0	41,272
7	Host W	Talent agency I	80.0	36,605
8	Host X	Talent agency H	62.7	35,292
9	Host Y	Supplier J	53.5	30,835
10	Host Z	Talent agency J	83.0	29,797
Total				421,779

<u>Rank</u>	<u>Host</u>	<u>Associated talent agency</u>	<u>Actual revenue-sharing ratio of associated talent agency</u> (%)	<u>Value of virtual gifts received</u> (RMB'000)
<i>For the five months ended May 31, 2022</i>				
1	Host AA	Supplier N	81.3	87,539
2	Host T	Supplier M	75.0	59,872
3	Host BB	Supplier M	75.0	48,344
4	Host CC	Talent agency K	60.8	28,576
5	Host DD	Talent agency L	65.9	28,090
6	Host EE	Supplier M	75.0	26,711
7	Host FF	Talent agency M	77.0	23,422
8	Host GG	Supplier L	75.3	21,885
9	Host HH	Talent agency N	80.2	19,933
10	Host II	Supplier I	81.4	19,051
Total				363,423

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We entered into tripartite exclusive cooperation agreements, which limit hosts’ ability to stream on other entertainment live streaming platforms, with six, five, one and three of our top ten hosts and their associated talent agencies, in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. We entered into exclusive streaming service agreements with four of our top ten hosts in 2019 and 2020, respectively, seven top hosts in 2021, and seven top hosts in the five months ended May 31, 2022. For top ten hosts subject to the exclusive clause, we constantly monitor their compliance with such clause by looking into whether certain hosts with declined streaming time have streamed on other competing platforms, and we did not find any of them streaming on competing platforms during the Track Record Period. Among our top ten hosts in 2019, all, nine and eight of them continued to stream on our platform in 2020, 2021 and 2022, respectively, seven and five of our top ten hosts in 2020 streamed on our platform in 2021 and 2022, respectively, and nine of our top ten hosts in 2021 streamed on our platform in 2022. The composition of our major hosts changed every year during the Track Record Period, as hosts typically experience popularity life cycle in every few years. In addition, in order to promote the diversity of content on our platform, we will strategically recommend hosts with different talents and specialties from time to time. During the Track Record Period, all of our top ten hosts in terms of value of virtual gifting received are hosts associated with talent agencies, and 22 of such host are affiliated with certain of our largest suppliers during the Track Record Period. See “— Suppliers.” The majority of top ten hosts during the Track Record Period specialize in the performance of talk show, music and dancing.

OUR USERS

Users are the largest group of participants of our ecosystem. They interact with hosts through virtual gifting and communicate with hosts and fellow users. Users also occasionally create content themselves or become hosts. As of May 31, 2022, we accumulated 414.9 million registered users, and our average MAUs reached 58.6 million in the five months ended May 31, 2022.

We have developed a young user base with a strong demand for quality live content and innovate ways to socialize, stay connected and be entertained. As of May 31, 2022, a significant portion of our users were Generation Z users, based on the information provided by our users. We believe they are typically technology-savvy and are willing to pay for access to quality content and expansion of their social circle. Based on information available to us, the majority of our active users are from first- and second-tier cities in China, who are in pursuit of quality content, social interaction and companionship, and we believe our users have strong spending power, representing monetarization potential for our platform. During the Track Record Period, we attracted users primarily through marketing activities, including placing advertisements and engaging user traffic referral channels, which may involve placing news feed advertisements on various media channels, search engines and app stores, engaging mobile pre-installment campaigns, and collaborating with influencers and sponsoring their participation on our live streaming and social networking products in China and overseas. During the Track Record Period, we did not have any material disputes with our users.

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The following table sets forth the percentages of revenue contributed by users who had provided their age information (“Respondent Users”) by different age groups for *Huajiao* during the Track Record Period.

**Percentages of revenue contributed by Respondent Users by different age groups
(*Huajiao*)⁽¹⁾⁽²⁾**

Year of Birth	For the year ended December 31,			For the five months ended May 31,
	2019	2020	2021	2022
	(%)			
Before 1980	35.8	34.5	25.3	21.7
1980-1989	40.1	35.6	39.6	34.6
Generation Z (born since				
1990)	24.1	29.9	35.1	43.8
<i>1990-1995</i>	<i>17.1</i>	<i>17.8</i>	<i>20.0</i>	<i>22.5</i>
<i>1996-2000</i>	<i>6.1</i>	<i>10.4</i>	<i>12.4</i>	<i>17.1</i>
<i>After 2000</i> ⁽³⁾	<i>0.9</i>	<i>1.6</i>	<i>2.7</i>	<i>4.2</i>

(1) Included users accessed *Naitang* during the relevant period.

(2) Calculated by dividing the revenue generated from Respondent Users of an indicated age group during a given period by the total revenue generated from Respondent Users during that period.

(3) During the Track Record Period, no revenue was generated from users aged below 18 for our live streaming products based on our records. See “Business — Risk Management and Internal Control — Minor Protection and Virtual Gifting Management .”

We believe that Generation Z users form the core user group for our platform, as they are keen to express themselves and have highly active online presence. Based on information provide by users, approximately 61.3% of our average MAUs and 59.3% of our paying users on *Huajiao*, were Generation Z users, and 43.8% of total revenue of *Huajiao* for the five months ended May 31, 2022 were contributed by Generation Z users. The percentage of revenue contributed by Generation Z also continued to increase from 24.1% in 2019 to 29.9% in 2020, and further to 35.1% in 2021. In the five months ended May 31, 2022, the percentage of revenue contributed by Generation Z users had a significant increase and reached 43.8%. During the Track Record Period, no revenue was generated from users aged below 18 for our live streaming products based on our records. We require users to confirm that they have reached the age of 18 in user agreements of our live streaming platform. We have also adopted measures to prevent minor from gifting through the account of others, and will promptly refund any verified minor gifting. See “Business — Risk Management and Internal Control — Minor

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Protection and Virtual Gifting Management.” Although we value our diverse user group, we believe that Generation Z users would remain as a key cohort of our user community that drives our revenue growth as they become more mature and established.

We plan to attract more Generation Z users to our platform by recruiting and training a younger generation of hosts who share common interest with, and are more relatable and reachable to Generation Z users. In particular, we will encourage hosts to focus on popular topics among Generation Z users, such as popular music, TV and variety shows, and other trending contents, and cooperate with hosts and talent agencies specialized in audio contents. In addition, we plan to enhance cooperation with user traffic channels that are more popular among Generation Z users, such as Instagram, TikTok and Douyin, to more effectively capture the targeted user traffic. Furthermore, we will introduce new iteration of virtual gifts, platform-level social games, and online and offline professionally generated content that we believe can boost our engagement with Generation Z users and improve user stickiness, based on the user profile analysis conducted by our PRC and overseas operation teams.

User Engagement

We continue to stimulate user engagement through gaming mechanics and special activities, such as designing novice tasks, providing new user guides and user gift packages, and creating daily tasks that provide user tokens, user experience and virtual items.

We use game mechanisms that are integrated into every aspect of the platform to mobilize user interest. We continue to invent platform-level social games, such as Grand Voyage, Play for Fun and Huajiao Farm, to leverage fragmented user time and increase user engagement. For example, players of Grand Voyage may earn Voyage Coins from their fleets, which can be used to purchase and upgrade fleets and generate more Voyage Coins. We set ports at the live streaming room of every host, and by virtual gifting, users will receive the rights to anchor their fleets at the port of a specific host, which increases the speed of Voyage Coins generation. We design such gameplay mechanics to motivate users to stay longer in the live streaming room and increase their willingness to gift virtual items. Users may also play microgames and earn PK points to support their favorite hosts. We continue to update our game portfolio to introduce new and creative games to improve user engagement. We also create avatars using 3D engine, allowing users to shape their own images to create a sense of immersion in our online community. The interaction with avatars is also conducive to narrowing the distance between users and hosts, thereby increasing intimacy in the streaming experience. In addition to live streaming and various gaming mechanics, we also maintain a catalogue of communication interfaces, such as user and host moment, group chats and comment functions, so which allows users to more frequently interact on our platform and enjoy our warm and inclusive community culture.

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HOSTS AND TALENT AGENCIES

We pride ourselves on our collaboration with a comprehensive league of talent agencies, such as streamer associations and MCNs, as well as talented individual hosts. We believe they are the key to our rich and entertaining content. We offer sustainable and favorable collaboration policies to hosts streaming and performing on various platforms, and are invested in their professional development.

Hosts

Our hosts include streamers who regularly stream virtual live streaming rooms, broadcasters who host broadcasting and audio-based live streaming sessions for our audio channels and audio-based apps, and other performers who regularly attend and host chatrooms of our overseas social networking products. Many of our hosts are musicians, singers, dancers and performing artists. They are the primary sources of the quality content generated on our platform. They provide a wide range of performance in virtual live streaming rooms, where they can display their talents, showcase their skills and personalities, and share their life stories and experiences. We believe we offer attractive value propositions to hosts, by providing them with ample opportunities to express themselves and engage with a wide audience base, with the added benefit of generating income from what they enjoy doing. In addition, through active user participation in our online community, we have fostered a sense of diversity and inclusiveness among them, which in turn attract hosts who enjoy the interactive nature and the warm and welcoming atmosphere of our online community. We also offer hosts the opportunities to gain peer recognition, become influencers and enter into the entertainment industry. This in turn supports their roles as content creators and encourages them to spend more time on our platform and create more and better content.

We have a massive base of diverse, young and active hosts. We verify the identity and age of our hosts before they can register on our platform. As of May 31, 2022, we had 11.0 million registered hosts on our platform. As of the same date, the majority of our registered hosts came from the first- and second-tier cities and were aged 35 and below. During the Track Record Period, we attracted hosts to perform on our platform primarily through user conversion and referrals from talent agencies. We believe that users who enjoy the rich content and interactive community culture as a viewer may choose to express him or herself by becoming a host on our platform. In 2019, 2020, 2021 and the five months ended May 31, 2022, 1.9%, 1.8%, 1.1% and 1.2%, of novice hosts on *Huajiao* were converted from new users in the respective year, and 1.1%, 0.8%, 0.2% and 0.4% of novice hosts on *6.cn* were converted from new users, respectively. The user to novice host conversion rate on our platform generally decreased during the Track Record Period, as the entertainment live streaming market has become more mature, and more novice hosts and interested viewers would begin their hosting careers under affiliation with talent agencies. Benefiting from our collaboration with talent agencies, we also acquire hosts through talent agencies, which often refer viable hosts to our platform for our stable revenue-sharing policy and exposure to our active user base.

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We have established a talent fostering system to identify, develop and train hosts, with execution plans on host training and promotion, content production and monitoring. We focus on providing opportunities that transform beginner hosts into influencers, enabling them to gain proficiency and popularity, which in turn help foster a close collaboration relationship between us and our host community.

The following table sets forth key operating metrics with respect to our hosts and talent agencies for the periods and as of the dates indicated.

	As of/for the year ended December 31,			As of/for the five months ended May 31,	
	2019*	2020	2021	2021	2022
Increase of total host number (in thousands)	905	560	444	227	164
Increase of talent agency number	3,088	2,000	2,364	1,322	970
Total number of hosts (in thousands)	9,859	10,419	10,863	10,646	11,027
Total number of talent agencies	6,225	8,225	10,589	9,547	11,559
Average monthly active hosts (in thousands)	378	312	235	249	215
Total number of talent agencies associated with active hosts	2,964	3,248	3,045	2,091	2,348
Average daily streaming time per host (minutes)					
<i>Huajiao**</i>	148	207	261	247	293
<i>6.cn</i>	234	244	256	253	254
Number of hosts associated with talent agencies (in thousands)	360	511	731	627	812
Revenue contribution by hosts associated with talent agencies (%)	80.0	91.3	95.7	93.7	96.2
Average monthly active host retention rate (%)					
<i>Huajiao**</i>	58.1	56.9	58.9	58.3	60.0
<i>6.cn</i>	65.8	65.3	64.7	64.8	66.3
<i>Overseas social networking products</i>	N/A	N/A	59.3	60.8	53.6
Number of hosts based on value of virtual items received (in thousands)					
<i>Value of virtual items received between RMB0.05 to RMB1,000</i>	490	398	465	241	236
<i>Value of virtual items received between RMB1,000 and RMB10,000</i>	24	29	30	16	16
<i>Value of virtual items received above RMB10,000</i>	15	18	19	10	10

* Throughout this document, unless stated otherwise, we only include *6.cn*'s operating results in 2019 since the completion of the Huajiao-6.cn Merger (from May through December 2019).

** Throughout this document, unless stated otherwise, *Huajiao*'s operating results included those of *Naitang*, a stand-alone audio-based product introduced in May 2019.

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In 2020, 2021 and the five months ended May 31, 2022, we focused on cooperating with talent agencies and viable hosts, and devoted more resources on training and recruiting hosts associated with talent agencies. As such, we experienced a decline in the number of new hosts registered on our platform in 2021 and the five months ended May 31, 2022, as compared to that in 2020 and the five months ended May 31, 2021, respectively, since fewer novice hosts or those stream on a freelance basis registered with our platform. For the same reason, average monthly active hosts also experienced decreases during the Track Record Period. However, there was a general growth in the number of talent agencies and hosts associated with talent agencies, as well as the number of hosts receiving virtual items valued more than RMB10,000 during the Track Record Period. In addition, as we have primarily focused on cooperation with more established talent agencies with viable hosts since 2019, we gradually ceased cooperation with talent agencies that no longer refer active and viable hosts to us. As a result, the total number of talent agencies associated with active hosts experienced general decreases during the Track Record Period.

Talent Fostering System

We actively identify and train beginner hosts that have great potential and help them develop their skills. We offer easy access for users to sign up and become hosts, and design training course to enable new hosts to quickly adapt to our platform. Our professional operation team continues to analyze host performance, live streaming environment, real-time audience control capability, and interaction ability. We then allocate user traffic which matches to the live streaming styles of hosts based on our assessment of their talents, communication styles and streaming content. We contact promising hosts and provide them with customized trainings and encourage them to stimulate and involve their viewers to maximize user engagement and produce entertaining user-generated content. For example, our general entertainment hosts may hold a karaoke contest among their viewers during live streaming sessions, and viewers will vote for winners through awarding virtual items. Similarly, our gaming hosts may hold a tournament with other gaming hosts, and viewers can send gifts to determine winner of the match.

We have a track record of tapping into the potential of novice hosts and transforming them into viable hosts. We conduct talent search via various online and offline channels, such as identifying potential hosts via social media platform, live streaming sessions on our various products, placing online and offline recruitment advertisements, and referrals from talent agencies or established hosts.

We invest resources in incubating and training viable hosts, offering a series of online and offline training sessions on live streaming operations, content creation, and communication techniques and manners, delivered by both our in-house streamer associations or third-party streamer associations or MCNs. In addition, our operational staff continuously impart their knowledge and experience accumulated during the course of their daily work to hosts through "on-the-job" training, and they may also pair more experienced hosts to novice hosts for one-on-one training sessions, so that these novice hosts can hone their live streaming skills. During our training courses, we seek to help them draw out their personality traits, establish self-confidence and further their understanding of the live streaming industry. Once we determine that a novice host has potential to accumulate his or her own fan base, we will help refer user traffic to such hosts, through increasing platform-wide exposure and designing tailored content suitable for such host's personal trait and streaming style. All of our services to hosts are complementary.

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Case Studies

Our platform offers various advancement opportunities for people who are passionate about streaming to become influencers. One of our hosts nicknamed Miao Miao (秒秒) has realized her dream of becoming a full-time singer through streaming on *Huajiao*. Miao Miao has always been interested in singing and has attended many local and regional singing contests. In 2019, out of her love for music, she fully devoted herself to live streaming on *Huajiao*. Since then, she has won many accolades, including the 2019 *Huajiao Musician*, the most popular host in 2019 *Huajiao Karaoke Night*, the champion of the *Huajiao 2020 Battle for the Pinnacle*, and the ten most popular hosts of *Huajiao* in 2020. Miao Miao has now become one of the better-known music hosts on *Huajiao* and realized her music dream through live streaming.

We enable hosts to improve their lives during the challenges brought by COVID-19 pandemic. A host nicknamed Latte Girl (拿鐵女孩) had been a fitness host prior to the pandemic. During the pandemic, she was quarantined in a hotel, during which she continued to stream to illustrate fitness techniques without equipment, allowing her to garner more viewers and supporters and become a popular host. Although peoples’ lives have been disrupted by the pandemic, they were able to explore other opportunities and improve their livelihoods through streaming on our platform.

We also provide a channel for people living in China’s underdeveloped areas to show their hometowns to the world. A host nicknamed E Yatou (娥丫頭) at *6.cn* is from the mountainous area of Guizhou. In 2018, she started using *6.cn* and learned about the positive impact of live streaming. E Yatou started streaming at *6.cn*, with the original intention to show the natural scenery and ethnic customs of Guizhou to our users. At the same time, she also intended to use live streaming to attract public attention and provide assistance to left-behind children and lonely elderly people living in the mountainous areas of Guizhou.

Host Retention

We provide favorable collaboration policies to strengthen our relationship with hosts to improve host retention rate, content production and streaming time on our platform. For example, our revenue-sharing policy provides various incentives that encourage hosts to increase their streaming time and fan interactions. We design various incentive mechanism, such as the host leveling system, to reward our user tokens to hosts who accomplish certain streaming tasks, comply with our streaming policies and consistently provide quality and superior content. We provide a promising advance channel for hosts to reach a wider audience and accomplish their career goals. For example, we have held online contests in collaboration with the Voice of China and Miss World and recommended suitable hosts to participate in the castings of many TV shows and movies.

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Our top hosts demonstrated a high level of loyalty and engagement during the Track Record Period. For example, 392 of our top 500 hosts at *Huajiao* and *6.cn* in 2020 remained with us in 2021. During the Track Record Period, the average streaming time per day per active host was approximately 220 minutes. More importantly, we believe that the success and viability of our business model are underpinned by our ability to continuously collaborate with and retain viable hosts and top-tier talent agencies, which was made possible by our proven and comprehensive talent fostering system and our stable collaboration policies. During the Track Record Period, the average monthly active host retention rate of *Huajiao* was 58.1%, 56.9%, 58.9% and 60.0%, respectively, while the average monthly active host retention rate of *6.cn* was 65.8%, 65.3%, 64.7% and 66.3%, respectively. During the Track Record Period, we did not suffer material losses or negative financial impact on our revenues due to the departure of any top hosts.

We typically enter into an exclusive cooperation agreement with viable and influential hosts, which stipulates the exclusive period during which such hosts shall not stream on other platforms and the contractual liability for such breach. We typically use uniform community policies and form service contracts when collaborating with hosts and their associated talent agencies. For hosts that are particularly valuable to us, we may adjust the contractual terms or make flexible adjustments to maintain a reciprocal relationship with these hosts, in particular with respect to performance-based incentives such as user traffic reference and promotion. If any disputes arises during the course of our collaboration with hosts or talent agencies, we would settle our disputes in accordance with the dispute resolution and/or arbitration clauses contained in the respective service and cooperation agreements.

In order to provide incentive for hosts to stay with us, we provide them with rewards, which may include additional user traffic reference, such as placing their live streaming room entrance in a more prominent place based on their associated talent agencies’ completion of ladder performance tasks, and content production assistance. The tiered performance tasks mainly include host streaming time and consecutive streaming day requirement. We evaluate the performance quality of a streaming session by the number of users participated in the live streaming session, as well as the amount of virtual items received by the host. Hosts with higher streaming quality and more frequent streaming sessions can complete the tiered performance tasks and earn additional rewards. Hosts may also earn rewards in platform-wide activities. In the future, we will continue to adjust our reward policies in accordance with the industrial practice in order retain viable hosts.

Talent Agencies

We closely collaborate with talent agencies in China. We have begun our collaboration with talent agencies since 2015. We provide stable revenue-sharing policies with talent agencies, so they can have stable and reliable expectations and confidence in forecasting profitability generated from our platform. As of May 31, 2022, we had collaborated with more than 10,000 talent agencies since our establishment, many of whom had worked with us for more than three years.

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Cooperation Agreements with Hosts and Talent Agencies

Our hosts are bound by our community guidelines and standard terms of service. We use a standard contract for individual hosts that have not entered into tripartite cooperation agreements with us and a talent agency.

The following is a summary of our standard contract for individual hosts.

- *Service scope.* The parties agree that we will exclusively enjoy the streaming content produced by the host. The host shall entrust us to manage his or her streaming activities during the cooperation period.
- *Cooperation period.* The cooperation period shall typically be one year, which shall be automatically renewed upon its expiration unless a party objects the renewal in writing.
- *Revenue sharing.* The host agrees that our platform-wide revenue sharing policy shall apply, and rewards attributable to the host shall be settled on a monthly basis. The parties further agree that such revenue sharing arrangement include all fees and expenses related to the host, including service fee, equipment fee, tax expenses and insurance expenses.
- *Performance obligation.* The host agrees that he or she has provided authentic personal information to us for our verification and compliance purposes, and that he or she will comply with our community standard and applicable rules and regulations, among others.
- *Intellectual property rights.* We typically own the intellectual property rights in relation to the streaming contents with the host.
- *Confidentiality.* The parties shall keep the information acquired in connection with this agreement confidential.
- *Liability.* Where any host breaches any term under this agreement, including posting inappropriate content, such host shall compensate us for the losses incurred as a result of the breach.

We also collaborate with talent agencies, who help us establish and maintain relationships with talented hosts and serve as a communication channel between us and the hosts they manage. We typically enter into cooperation agreements with such talent agencies, which are generally negotiated on a case-by-case basis.

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The following is a summary of major terms of our cooperation agreement with talent agencies.

- *Service scope.* The talent agency agrees to recruit and manage an agreed-upon number of hosts, whose live streaming quality shall satisfy our platform-wide standards. In the event that we consider certain hosts are especially valuable to our platform, we have the right to enter into tripartite cooperation agreements with them and the talent agency.
- *Cooperation period.* The cooperation period shall typically be two years, which shall be automatically renewed upon its expiration if the revenue generated from hosts of the cooperating talent agencies reached an agreed-upon amount during such period.
- *Revenue sharing arrangements.* The cooperating talent agency agrees that our platform-wide revenue-sharing policies effective at the time shall apply to hosts under its management. For a description of our revenue-sharing policies currently in effect, see “— Revenue Sharing Arrangement with Talent Agencies for *Huajiao*” and “— Revenue Sharing Arrangement with Talent Agencies for *6.cn*.”
- *Cooperation obligation.* The cooperating talent agency agrees to provide hosts under its management with training and necessary equipment for live streaming at their expense, and to provide authentic personal information of hosts under its management to us for our verification and compliance purposes, and to ensure that such hosts will comply with our community standards and applicable rules and regulations, among others.
- *Intellectual property rights.* We typically own the intellectual property rights in relation to the streaming contents with the cooperating talent agency and hosts under its management.
- *Confidentiality.* The parties shall keep the information acquired in connection with this agreement confidential.
- *Liability.* Where any talent agency or host under its management breaches any term under this agreement, including posting inappropriate content, such talent agency and its host shall compensate us for the losses incurred as a result of the breach.

For certain hosts that are introduced by talent agencies and who we believe have great potential, we enter into exclusive tripartite cooperation agreements, which typically have a contract term of one year, with such selected hosts and their associated talent agencies. The major terms included in the aforementioned cooperation agreements are set out below.

- *Service scope.* The talent agency and its selected host agree to perform live streaming exclusively on our platform within the period stipulated.

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- *Exclusive performance.* The selected host agrees that during the cooperation period, all of his or her online live streaming activities shall be managed by the talent agency, and any content generated from such host’s live streaming activities, including his or her online image and trade name, are authorized to the talent agency for its management. The talent agency agrees to cooperate with us with respect to all live streaming contents produced by the selected host, and the selected host shall not provide streaming services to any platform not approved by us.
- *Cooperation period.* The cooperation period shall typically be three years, and the renewal of which shall be negotiated by the parties.
- *Cooperation obligation.* The cooperating talent agency agrees to provide authentic personal information of its selected host to us for our verification and compliance purposes, and to ensure that such host will comply with our community standards and applicable rules and regulations, among others. In addition, the cooperating talent agency shall ensure the live streaming quality of its selected host and manage such host to perform as required by us.
- *Number and performance level of live streaming sessions.* We require the selected host to achieve a stipulated number and/or performance level of live streaming sessions on our platform.
- *Performance-based rewards.* The tripartite cooperation agreements provide for performance based reward system for selected hosts who satisfied certain streaming requirements, which may include user traffic referral, promotional activities and content production assistance.
- *Revenue sharing arrangements.* The cooperating talent agency and its selected host agree that our platform-wide revenue-sharing policies effective at the time shall apply to such hosts. For a description of our revenue-sharing policies currently in effect, see “— Revenue Sharing Arrangement with Talent Agencies for *Huajiao*” and “— Revenue Sharing Arrangement with Talent Agencies for *6.cn*.”
- *Intellectual property rights.* We typically own the intellectual property rights in relation to the streaming contents with the cooperating talent agency and its selected host.
- *Confidentiality.* The parties shall keep the information acquired in connection with this agreement confidential.
- *Liability.* Where any cooperating talent agency or its selected host breaches any term under this agreement, including posting inappropriate content, such talent agency and its selected host shall compensate us for the losses incurred as a result of the breach.

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Depending on whether a specific cooperation agreement includes an exclusivity clause, it can be classified either as an exclusive cooperation agreement or a standard cooperation agreement. We believe that the inclusion of such exclusive clause in our cooperation agreement has been effective in limiting our hosts’ ability to stream on other entertainment live streaming platforms, primarily because (1) we did not find any of our top ten hosts subject to the exclusive clause streaming on competing platforms during the Track Record Period, and (2) the revenue generated from hosts who had breached such exclusive clause was less than 2.3% of our total revenue in each period during the Track Record Period. In addition, we constantly monitor our hosts’ compliance with such exclusive clause, and once we find any host streaming on any of other entertainment live streaming platforms, we would initiate lawsuits against such hosts. As of the Latest Practicable Date, other than the lawsuits that were pending as of the same date, the courts had ruled in our favor or we had obtained favorable settlements for most of lawsuits relevant to breach of the exclusive clause by our hosts initiated during the Track Record Period. During the Track Record Period, we had 53 lawsuits with our hosts relevant to breach of the exclusive clause. In 2019, 2020, 2021 and the five months ended May 31, 2022, the revenue generated from hosts who breached the exclusive clause with us was RMB65.2 million, RMB28.0 million, RMB19.0 million and RMB2.4 million, respectively. For details of contract disputes with our hosts and/or their associated talent agencies, see “—Legal Proceedings.” We do not negotiate with each of hosts and/or their talent agencies for revenue-sharing ratio, which are applicable to and are transparent for all hosts who stream on our platform and their associated talent agencies. We may adopt platform-wide adjustment from time to time, based on our strategic focuses and market condition. We may negotiate with hosts and/or talent agencies for such exclusivity clause by offering user traffic referrals and/or promotional opportunities, in addition to our usual revenue sharing arrangement. We believe that these non-cash incentives help hosts more effectively develop their viewer base and increase their gross billing. We entered into tripartite exclusive cooperation agreements, which limit hosts’ ability to stream on other entertainment live streaming platforms, with 429, 649, 1,032 and 1,101 hosts and their associated talent agencies, in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The revenue generated from such hosts was RMB302.3 million, RMB572.2 million, RMB647.6 million and RMB355.3 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, representing 10.7%, 15.5%, 14.1% and 17.0% of our total revenue in the same periods, respectively. As a result of our continuous efforts in expanding our team of professional hosts who have great potentials, the number of hosts that entered into our tripartite exclusive cooperation agreements and revenue attributable to them as a percentage of our total revenue both experienced stable increases from 429 and 10.7% in 2019 to 1,032 and 14.1% in 2021, respectively.

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The following is a summary of our revenue-sharing policy with talent agencies for *Huajiao* and *6.cn* as of the date of this document.

Revenue Sharing Arrangement with Talent Agencies for Huajiao

Tiered Performance Metrics				
Basic revenue sharing ratio	Gross billing target for all hosts under management by talent agencies	Number of host satisfying target	Additional revenue sharing	Maximum revenue sharing ratio
<i>(RMB in thousand)</i>				
50%	<50	<3	0	50%
50%	≥50	≥3	15%	65%
50%	≥100	≥5	25%	75%
50%	≥300	≥15	28%	78%
50%	≥700	≥30	30%	80%
50%	≥1,000	≥55	33%	83%

Revenue Sharing Arrangement with Talent Agencies for 6.cn

Tiered Performance Metrics						
Basic revenue sharing ratio	Gross billing target for all hosts under management by talent agencies	Number of host satisfying target	Additional revenue sharing	Extra revenue sharing requirement for each host	Extra revenue sharing	Maximum revenue sharing ratio
<i>(RMB in thousand)</i>						
50%	<100	≥5	8%	Monthly gross billing		60%
50%	300≥100	≥8	10%	≥RMB10,000,		62%
50%	500≥300	≥10	11%	Streaming hours		63%
50%	1,000≥500	≥20	12%	≥60 hours,	2% of gross billing of hosts	64%
50%	1,500≥1,000	≥35	13%	and	satisfying the requirement	65%
50%	2,500≥1,500	≥50	14%	Streaming days		66%
50%	5,000≥2,500	≥70	15%	≥22 days		67%
50%	8,000≥5,000	≥120	16%	per month		68%
50%	12,000≥8,000	≥140	17%			69%
50%	≥12,000	≥150	18%			70%

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During the Track Record Period, hosts on *Huajiao* generally received higher revenue sharing percentages than hosts on *6.cn*, primarily due to the longer operating history of *6.cn*, during which it established its own practices accepted by the market when China’s entertainment live streaming industry was still in its early development stage with less intense competition for quality hosts. As a result, our Directors believe that hosts on *6.cn*, in particular those having streamed on *6.cn* for a relatively longer period and built their own loyal fan bases on *6.cn*, have become accustomed to the community culture of *6.cn* and become more inclined to accept its lower revenue-sharing ratio.

OUR CONTENT

Our platform covers a wide range of social entertainment topics that address diverse user interests and needs and help users develop or discover new interests. Our users also, in large and growing numbers, actively participate in the creation, share and promotion of content, to satisfy their desires for social interaction, companionship, satisfaction and recognition through a variety of interactive experiences to form an interconnected user community.

Our live streaming content is rich and diverse, including major categories such as music, dance, talk shows, outdoor activities and gaming. As of May 31, 2022, our content library covered 14 major categories of content and more than 40 sub-categories of live streaming programs. In order to cater to the ever-changing interests of our users, we continue to introduce more new categories of live streaming programs.

In addition to user generated content, we actively participate in or lead the production of some of our most popular professionally generated content. As of May 31, 2022, we had a content production and operation team of 132 members, focusing on collaborating with our top hosts to produce professionally designed content. We provide comprehensive support along the entire content production process, from advising hosts on topics and formats of the program, background music selection, storyline production, script creation, supporting graphics and background setting, to program editing and final review. We work closely with talent agencies and individual hosts to design special programs based on host personality, such as contests among energetic hosts with escalating competitive “tension” to boost user traffic and encourage users to back up each party through virtual gifting, and other seasonality programs and streaming sessions centering around recent trending news and events. For examples, we have hosted many online talent contest, such as *Battle for the Pinnacle* (巔峰之戰), *Freshman Orientation* (新生見面會), *Prettiest Angel* (最美天使) and *Girls’ Cabinet* (少女私櫥), to generate user traffic and promote promising hosts. Many of such contests will hold offline finale produced by our professional content production team, with the final extravaganza streamed on and then uploaded to our platform for repeated viewing.

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CUSTOMER SERVICE

We adhere to our user-centric principal to provide users with the best user experience and customer service, which we believe is a key to our success. As of May 31, 2022, we maintained a team of 38 customer service personnel who are available on a 24/7 basis. For our overseas products, we have also various official social media accounts maintained by customer service staff familiar with local language to provide app updates, feedback and customer support in a timely manner. Our users may submit inquiries, feedback or complaints by communicating via online chat, hotline or emails at any time. Upon receipt of inquiries or complaints, our customer service team will conduct an investigation and provide users with feedback and/or solutions for issues they report.

We value the communication and feedback of the users. We have set up a product feedback system to better understand the user demand. We also train our customer service staff to behave professionally when interacting with users and responding promptly and patiently to their demand. We may also assign exclusive VIP customer service team to address the concern of our VIP users and offer them customized service, such as organizing fan events for VIP users.

CONTENT SCREENING AND REVIEW

We review the content on our platform to maintain a healthy ecosystem for our users and refine user experience and to ensure compliance with applicable laws and regulations in the jurisdictions where we operate.

Content Review

We apply a combination of automated AI-backed user protection system and manual review to manage the content offered on our platform. Our automated AI-backed user protection system serves as the first layer protection to identify potential inappropriate content. Our system will extract identifiers from the content and sends them to our central cloud infrastructure, which processes large amounts of information with our proprietary AI-backed model. If our AI technology cannot clearly recognize the identifiers, our content review team will review the content and visit the live streaming rooms at issue, and promptly suspend the activities in accordance with our internal control policies and applicable regulations. We have established three independent content review centers for *Huajiao*, *6.cn* and HOLLA Group, respectively. As of May 31, 2022, our dedicated content review team consisted of more than 220 employees and contractors responsible for detecting and preventing the release of inappropriate or illegal content on our platform. Our platform has the right to shut down any live streaming room or suspend users’ accounts.

Our AI technology is generally capable of identifying and determining whether there is a violation within a matter of seconds after it captures a screenshot of the live streaming session. Live streaming on our platform is reviewed simultaneously by our AI-backed user protection system and content review team. Any content that is flagged by our machine

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screening process must then be reviewed by our content review team to decide if the content is inappropriate or illegal, which may lead to the possible termination of the live streaming. In addition, we maintain a report portal which allows users to report violations at any time, and such report will be promptly responded to by our content review team. We analyze multiple factors in order to determine the reliability of and prioritize various reports of inappropriate content, including the history of the reporting user, effective reporting rate and the severity of the alleged violations. If our content review team notices any violation by our hosts or users, they will take actions, such as continuing to monitor and/or issue warnings to the parties involved. For severe violations, such as acts or threats of violence, nudity, use of illegal drugs, or making politically sensitive or inflammatory comments, we can permanently suspend such user or host from accessing our platform, and all the virtual gifts and items in such person’s account will be forfeited. If a host is found to be in violation of our internal control policies or applicable regulations, we will impose corresponding sanctions, warning, immediate suspension of live streaming session, temporary account suspension, to permanent account suspension.

Content Compliance Policies

We require our users and hosts to abide by our terms of service, which prohibit illegal content from being created, shared and transmitted on our platform. As required by and depending on the applicable laws and regulations, our community guidelines set forth the prohibited content and actions in details, such as provocative or inflammatory languages, full or partial nudity, sexually suggestive language or body movements, abusive language or actions towards other users, spam, scams, acts and threats of violence and information facilitating or promoting illegal transactions or activities. As required by PRC laws and regulations, we have set up a cybersecurity office for the cybersecurity police officers in our headquarters.

We are committed to complying with relevant PRC laws and regulations, and upholding the integrity of our community. We have implemented various measures to ensure the compliance of relevant rules and regulations, including utilizing an automated AI-backed user protection system and maintaining a manual review team, a report portal for users to report violations, and establishing different benchmarks for evaluating potential violations and our community guidelines.

We have established different benchmarks to evaluate potential violations of our terms of services and community guideline. We will determine the imposition of sanctions and require rectification measures based on the nature and frequency of violations. The following sets forth our major benchmarks for violations of our terms of services and community guidelines.

- *Political sensitive or inflammatory content.* We treat this category as a severe violation and it includes content involving reactionary information, anti-national security information, information harmful to national interest, unity, religious policies and/or social stability, and information prohibited by PRC laws and regulations.

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- *Pornographic content.* We treat this category as a severe violation and it includes obscene and pornographic text, pictures, audio, video, and animation and other sexually suggestive language or movement.
- *False content.* We treat this category as a general violation and it includes information that blindly exaggerates the facts of a social event, over-hypes about hot events with bad social value, spreads rumors, or publishes or disseminates other false information.

Self-Identified Violations and User Complaints

We strictly prohibit contents that are deemed to be (1) sexually suggestive language or body movements, such as indecent exposure of private parts and behavior and language with sexual undertones, (2) acts and threats of violence, such as contents involving blood, terrorism and controlled substances, and (3) improper, such as invasion of privacy and superstition contents, from being displayed on our platform. In 2019, 2020, 2021 and the five months ended May 31, 2022, our AI-backed user protection system and manual review team were able to identify, in general, an average daily total of approximately 570, 530, 430 and 540 incidents of violations of our community guidelines, covering inappropriate dressing, vulgar contents such as sexually suggestive performance, and potential violation of relevant rules and regulations, respectively, which accounted for approximately 1.6%, 1.6%, 1.5% and 2.1% of the number of our daily streaming sessions during the respective periods. We temporarily suspended the streaming function of such hosts. In general, an average daily total of approximately 100, 90, 50 and 40 incidents in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, would involve severe violation of our community guidelines and/or terms of services, which resulted in the suspension of streaming function of the corresponding hosts for a certain period of time or termination of our cooperation with the hosts, depending on the frequency and severity of violations. In 2019, 2020, 2021 and the five months ended May 31, 2022, we imposed penalties or disciplinary actions, including the suspension of streaming function, and the termination of cooperation with hosts in the case of severe violations, on approximately 85,900, 77,460, 33,800 and 12,270 hosts, representing 0.9%, 0.7%, 0.3% and 0.1% of our total hosts, respectively, among which we terminated cooperation with approximately 1,290, 810, 720 and 90 hosts, representing less than 0.1% of our total hosts, respectively, during the same periods.

In addition to the inappropriate contents identified by us, users from time to time may report their disputes with us or contents on our platform to the China Consumer’s Association and the Industry and Commerce Bureau. During the Track Record Period and up to the Latest Practicable Date, we had received 18 complaints related to contents and host behavior on our platform from users, which were subsequently reported to the China Consumer’s Association and the Industry and Commerce Bureau. In particular, seven of such complaints were related to vulgar and sexually suggestive contents allegedly produced by hosts on our platform, and the remaining 11 complaints were related to disputes between hosts, users and/or our customer services team. As of the Latest Practicable Date, we had not been subject to any penalty or

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investigation as a result of these complaints, although we had investigated internally for these complaints, and issued warning to one and suspended the account of another host whose streaming sessions contained vulgar contents.

In light of (1) the small amount of violations identified on a daily basis, versus the total amount of daily streaming activities on our platform, (2) the few complaints related to the contents or inappropriate activities on our platform and the absence of regulatory penalties associated with such complaints, and (3) our enhanced internal control measures over content review to promptly identify and reduce inappropriate activities on our platform, see “— Risk Management and Internal Control — Content and Hosts on Our Platform,” our Directors do not believe that these incidents and complaints had a material adverse impact on our operations and financial performance.

Regulatory Incidents Involving Contents and Hosts

During the Track Record Period, 33 of our hosts were included in the online streamer warning lists published by China Association of Performing Arts for inappropriate content displayed on our platform, among which 25 of such hosts were listed in the warning lists due to sexually suggestive performance and language, and eight were listed due to politically inflammatory language. We permanently ceased collaboration with such hosts immediately upon the publication of the list and have promptly taken enhanced internal control measures over content review, see “— Risk Management and Internal Control — Content and Hosts on Our Platform.” During each period of the Track Record Period, hosts included in the online streamer warning lists published by China Association of Performing Arts contributed less than 0.1% of the total value of gifts received by all hosts of the Group. Based on the foregoing, our Directors are of the view that these incidents did not cause any material or adverse impact on our business, and that our enhanced internal control measures are adequate and effective in identifying inappropriate content displayed on our platform. After due consideration of (1) the information set out above, (2) the views of the Directors and (3) the relevant due diligence work conducted, the Joint Sponsors are not aware of any material findings which have contradicted the Directors’ view that the inclusion of the 33 hosts in the online streamer warning list did not cause any material or adverse impact on our business, or which have cast doubt on the effectiveness of our internal control measures in identifying inappropriate content displayed on its platform.

During the Track Record Period, we were involved in nine minor incidents with fines imposed by government authorities in connection with inappropriate content displayed on our platform. These incidents were related to sexually suggestive language and/or performance with fines ranging from RMB10,000 to RMB15,247.73. These fines were imposed on us after we had identified inappropriate content and reported the relevant hosts to the relevant authorities. In sum, the total amount of fines imposed on us for inappropriate content displayed on our platform were approximately RMB100,000 during the Track Record Period. We immediately imposed sanctions to hosts involved in these incidents according to our community policies.

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We were requested to meet with the Beijing Internet Information Office in June 2020 as videos containing contents that were deemed to be vulgar by the Beijing Internet Information Office were uploaded to the community live feeds on *Huajiao* by certain users, and following the interview, new users were not able to register on *Huajiao* for two weeks. We have implemented remedial measures to strengthen internal control over content displayed on our platform and uploaded to our community feeds. We have enhanced our content review measures, such as the adoption manual review mechanism to verify potential violations identified by our AI-backed content review system, and the prompt removal of any vulgar content that could violate applicable rules and regulations. We also suspended the accounts of hosts identified in the videos. We completed the remedial measures within the designated period, and passed the review by the Beijing Internet Information Office. Our Directors are of the view that this incident caused no material impact on our business since we promptly implemented corrective measures. Based on the content review measures implemented during the Track Record Period, and the fact that there have not been other violations or additional penalties imposed by regulatory authorities relating to this incident since January 1, 2022, our Directors are of the view that our internal control measures are adequate and effective in identifying inappropriate content displayed on our platform and ensuring compliance of the relevant rules and regulations. After due consideration of (1) the information in relation to the above, (2) the views of our Directors and (3) relevant independent due diligence work conducted, the Joint Sponsors are not aware of any material findings from the independent due diligence work conducted that have caused them to doubt the effectiveness of our internal control measures to identify inappropriate content displayed on our platform.

TECHNOLOGY

We invest heavily in our technology infrastructures, which is critical to allowing us to efficiently and effectively address the technical challenges associated with our business and product offerings. We have accumulated extensive experience in real-time broadcasting and video streaming, multi-party concurrent streaming, data security and data processing.

We have a research and development team of experienced engineers, researchers and scientists, drawing talents from leading internet and technology companies such as Baidu and 360, with extensive experience with large scale mobile apps and PC clients, providing us with competitive edges. As of May 31, 2022, our technology and research and development team consisted of 254 members, whose expertise spans a broad range of disciplines, from live streaming infrastructure to data mining. Approximately one-third members of our research and development team have more than 10 years of professional experiences. Our research and development team continues to launch new features to meet the evolving user needs, such as audio live streaming and virtual reality live streaming features which we launched in 2016 and 2017, respectively. We have developed “Mengyan” technology, avatar guardian gifts, and AI chatbots which we leverage to enhance the atmosphere of the live streaming room.

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In 2019, 2020, 2021 and the five months ended May 31, 2021 and 2022, our research and development expenses were RMB132.1 million, RMB156.2 million, RMB207.9 million, RMB87.9 million and RMB93.6 million, respectively, representing approximately 4.7%, 4.2%, 4.5%, 4.9% and 4.5% of our total revenue for the same periods, respectively.

High Efficiency Video Coding (H.265)

Our products utilize H.265, which allows us to significantly reduce costs, save bandwidth, or improve graphic quality. We began the research and development into H.265 for its application on mobile devices in 2016, began the related network construction in the second quarter of 2017, and established an end-to-end H.265 live streaming network in the live streaming industry in China at that time. We do not rely on third-party SDK for H.265 technology to generate or display content, which is different from most other internet streaming platforms in China, who tend to purchase prepackaged services from third-party cloud service providers. After we launched PC client and PC web browser in 2019, we accomplished all-platform support of H.265 on iOS, Android and PC clients. As a result, all users can watch high-quality H.265 streaming content instead of transcoded low-quality H.264 video, which serves to significantly improve the entertainment experience for PC-based users.

“Mengyan” Feature

In 2016, we became the first platform in the world to apply “Mengyan” feature in live streaming, according to the iResearch Report. This technology was previously used to modify photographs only. Our “Mengyan” technologies allow hosts to add an element of fun by applying face filters and augmented reality in live streaming sessions.

AI Streaming Effects

Our AI video effects include, among others, (1) background segmentation feature, which can separate hosts from the background and allow hosts to change the background without specialized green screen, and (2) gesture special effect recognition system, which allows hosts to trigger special effects through gestures such as “heart” and “like” during the live streaming. Our hosts can also utilize our facial expression shifting feature, which allows hosts to use 3D avatars to replace their faces without compromising the accurate conveyance of their facial expression.

3D Engine Technology

Our 3D engine technology enables us to design and offer 3D gifts and customized avatars to meet the user demand. For example, users can purchase 3D waltz gifts for their favorite hosts, and the live streaming rooms would display the user-customized avatars dancing with the hosts, which enhances a sense of participation and immersion. In 2019, our 3D engine technology reached the graphic quality of the Unity3D commercial engine.

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Intelligent Content Recommendation System

Our proprietary content recommendation system is built upon the user behavior observation that we have accumulated from the massive number of users, supported by algorithms embedded in our advanced AI and data processing capabilities. Our content recommendation system aims to precisely matching users with their favorite content. Once our system generates recommended content, we will leverage our powerful back-end system to push such content to targeted users through app functionalities or push notifications. Our servers can precisely deliver more than 250,000 push notifications to users in a matter of seconds.

Server-Side Business Middleware

We have developed a large number of server-side business middleware, including the IM system used to support functions such as regular comments, private messages, and group chat in the live streaming rooms. Our IM system can be scaled up and adjusted according to business needs without incurring significant cost. We have also developed middleware such as enterprise-level data buses and high-performance synchronization services, which provide stable support for our platform.

DATA SECURITY AND PRIVACY

We treat data security and privacy seriously across all our products. We believe it is crucial that our users and hosts understand how we collect and handle their information and trust that we properly protect their privacy. We have implemented internal rules and policies to govern how we may collect, use, store, retain and transmit personal information in compliance with applicable data protection laws and regulations, as well as protocols, technologies and systems in place to ensure that such information will not be accessed or disclosed improperly. Users and hosts must acknowledge the terms and conditions of the privacy agreement before using our products, under which they consent to our collection, use and disclosure of their data in compliance with applicable laws and regulations. See “Regulation — Regulations on Information Security” and “Regulation — Regulations on Internet Privacy.”

We mainly collect the following personal information of our hosts: (1) IP address and equipment information, which are mainly used for account security purposes; (2) identity information for PRC hosts, including names and identification numbers to verify identities in accordance with relevant PRC laws and regulations; (3) mobile phone numbers for account registration; (4) hosts behavioral data, including streaming times and amount of virtual items received from users, and (5) hosts’ bank account information and/or third-party payment account information to assist our hosts in withdrawing income. We mainly collect the following information of our users: (i) IP address, equipment information, which are mainly used for account security purposes; (ii) user behavioral data, such as purchase record for virtual items, and (iii) mobile phone numbers for account registration. As an alternative, if users choose to use their IDs associated with other platforms such as Weibo, WeChat or QQ for registration,

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we will gather their IDs associated with these platforms which have been registered on users’ mobile phone number or other personal information through SDKs, to satisfy the requirements of real-name registration under relevant laws and regulations. Other than encrypted equipment information we received from user traffic referral channels for the purpose of settling referral fees, we do not receive or collect personal information from third parties for our business operation. As advised by our PRC Data Compliance Advisor, other than the non-compliant incidents of *Shiliu live streaming*, *6.cn* and *Huajiao* discussed below, we have complied with all material aspects of the PRC laws and regulations regarding to the personal information protection and data security as of the date of this document.

We collect such necessary user information strictly following government regulations and user privacy agreements. We do not collect unnecessary personal information other than those consented by users and hosts, and we do not provide any personal information to third parties without consent or otherwise required by laws and regulations. All of our network communications are encrypted, and we had not experienced material data leakage during the Track Record Period and up to the Latest Practicable Date. We have also purchased certain network security screening services to perform necessary system security checks while we independently developed our defense system.

We require users and hosts to read our privacy agreement applicable to their respective regions and to complete a consent form before using our services. Our privacy policies inform users that in providing our services, how we may collect, store, utilize or share with third parties certain personal information generated and/or collected in using our services or accessing our platform. We encrypt users’ and hosts’ personal data stored on cloud servers and/or physical servers provided by third-party providers, set up cloud and external firewalls, and conduct security tests on a regular basis.

For users’ personal information, once they decide and request us to cancel their accounts with us, we will delete such users’ information from our servers, unless otherwise we are required to keep such information by applicable laws and regulations. We have developed a performance query platform for talent agencies, which allows them to view the income of their associated hosts.

From an internal policy perspective, we limit access to our servers that store our user and internal data on a “need-to-know” basis. We also adopt a data encryption system intended to ensure the secured storage and transmission of data, and prevent any unauthorized member of the public or third parties from accessing or using our data in any unauthorized manner. Furthermore, we implement comprehensive data masking of user data for the purpose of fending off potential hacking or security attacks. We have also implemented real-time synchronization and backup mechanisms across multi-data centers to avoid accidental data losses.

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During the Track Record Period, *Shiliu live streaming, 6.cn* and *Huajiao* were deemed to be engaged in the collection and use of user information in a non-compliant manner by relevant government authorities under the circumstances described below. On July 16, 2020, the MIIT notified *Shiliu Live streaming* of its non-compliance practices, including the denial of users' access to *Shiliu Live streaming* if they do not consent to certain information access request, and the onerous requirement for account deactivation procedures, such as the provision of copies of user ID card and mobile phone number. On October 12, 2020, the MIIT determined that *6.cn* (1) had collected users' MAC addresses prior to obtaining users' consent to its privacy policies; (2) sent users' device-related information to a third-party SDK; and (3) denied users' access to *6.cn* if its request for accessing storage of user's device is denied. On May 14, 2021, the MIIT determined that *Shiliu live streaming* had sought to collect user location prior to offering relevant services. On January 22, 2021, the MIIT notified *Huajiao* of its non-compliant use of users' personal information. On June 11, 2021, the CAC concluded that *6.cn* had collected user information unrelated to its services. Our non-compliance during the Track Record Period was primarily due to our inadvertent misinterpretation of laws and regulations of China relating to personal information protection, as these laws and regulations are complex and have been evolving, in particular with respect to the standards for identifying non-compliant personal information processing activities adopted by relevant authorities such as the MIIT and the CAC.

As advised by our PRC Data Compliance Advisor, our Directors are of the view that these non-compliance incidents did not cause a material adverse impact on our business, based on the following grounds:

- We have timely rectified our non-compliance practices as required by the MIIT and CAC notices within the designated period and passed the review of relevant government authorities. In particular, we have taken the following measures for *Shiliu live streaming, 6.cn* and *Huajiao*:
 - (a) we updated *Shiliu live streaming*'s privacy policy to (1) fully disclose our approach for the collection and use of users' personal information, (2) notify users about *Shiliu live streaming*'s privacy policy by pop-up window and other appropriate methods when users launch our app for the first time, (3) request for the storage access only when the users start using live-streaming feature, and (4) explain the purpose of obtaining the corresponding permission to users. We have also simplified the process of application for account deactivation by users;
 - (b) *6.cn* ceased to collect the MAC address before the users agree to the privacy policy, supplemented the SDKs list attached to its privacy policy, ceased to request users for storage permission prior to the use of features relating to such permission, and only requests camera and microphone permissions after the users start using live streaming feature; and

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- (c) *Huajiao* updated the language used for the click box under its privacy policy pop-up window from "I see" to "I agree," and the iOS version of *Huajiao* app ceased to send any users' personal information to any SDK prior to users' consents to its privacy policy, and its privacy pop-up window pops up every time when it is launched if users did not expressly consent to the privacy policy.
- We were not subject to any fines for these non-compliances;
 - We have adopted data compliance measures as recommended by our PRC Data Compliance Advisor based on the PIPL, which has become effective on November 1, 2021 and applicable to all internet companies for their user information collection practices, and as advised by our PRC Data Compliance Advisor, our Directors are of the view that such measures are adequate and effective in identifying similar potential non-compliance practices and ensuring compliance of relevant rules and regulations; and
 - As of the Latest Practicable Date, there had been no other governmental investigation, penalty or administrative orders pending against us in relation to unlawful collection or use of user information.

To keep abreast with recent regulatory developments, we pay great attention to the recently enacted data protection laws to ensure the effectiveness of our data security and privacy policies and that we are in compliance with all applicable laws and regulations.

- For example, we have updated our user privacy agreements on our platform and notified users of the underlying purpose, scope and method of our collection and use of personal information, and the rights that users are entitled in connection with their personal information.
- We have formulated a series of internal protocols regarding data security and privacy, such as Policy on Data Security and Information Management (數據及信息安全管理制度), which outlines our company-level policies towards data collection and storage, and Policy on Data Backup and Recovery Management (備份恢復管理制度), which details the normative protocols we follow for data backup and recovery. Furthermore, we have also formulated a Plan of Cybersecurity Emergency Response (信息安全總體應急預案) to strengthen our emergency responses in the event of a cybersecurity incident.
- We have adopted a series of internal policies such as the Personal Information Protection Management Policy (個人信息保護管理制度), the Policy on Personal Information Compliance and Audit (個人信息合規審計制度), and the Policy on App for Personal Information Protection Management (App個人信息保護管理制度),

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provided regular employee trainings, and appointed a data security management team to supervise the overall work in respect of personal information and privacy protection, and to ensure our compliance with PIPL.

- Additionally, we train new employees on data security and privacy awareness at the beginning of their employment, conduct regular information security training for employees who process data, and take back the physical and logical access of departing employees in a timely manner.

During the Track Record Period, we did not experience any material information leakage or loss of user information in the PRC or any overseas market.

BRANDING AND MARKETING

We believe brand recognition is critical to our ability to attract users and establish and retain business collaboration with quality hosts and talent agencies, and our general marketing efforts are designed to enhance our brand awareness and reputation among the user and host communities. We have implemented various marketing and promotional measures to promote our products and services. We hold different offline marketing activities to enhance our brand recognition, attract new users to our platform, increase user stickiness, and promote hosts on our platform. In 2016, we held a performance event featuring many of our hosts, *Night of Huajiao*, nicknamed as the Oscar in the live streaming industry, which greatly promoted the recognition of our brand among viewers and hosts. In 2017, we jointly organized *Night of Huajiao* with Beijing Media Network, which was broadcast simultaneously on Beijing Television and attended by many internet influencers, celebrities and eminent hosts. Such offline events have significantly improved our brand recognition and promote our brand name. In addition to offline events, we promote our platform and attract new users through advertisements on popular social media platforms and placement channels, such as mobile device manufacturers, app developers and search engines developers. We also collaborate with overseas internet influencers to increase the download volume of our platforms, through content created by our hosts and their interactions with users. We believe word-of-mouth marketing has also helped us achieve, and continue to drive, organic growth of our user base.

CUSTOMERS

Our customers primarily include a large and diverse base of individuals who purchase virtual items which are gifted to the hosts and other value-added services on our platform. In each year/period during the Track Record Period, the aggregate revenue generated from our top five customers, all of them were individuals, were RMB63.4 million, RMB167.9 million, RMB133.0 million and RMB76.9 million, respectively, accounting for 2.2%, 4.6%, 2.9% and 3.7% of our total revenues for the same years/period, respectively. In the same years/period, our revenue from the single largest customer amounted to RMB17.7 million, RMB80.1 million, RMB29.7 million and RMB39.2 million, respectively, accounting for 0.6%, 2.2%, 0.6% and 1.9% of our total revenue, respectively. Based on information obtained from the top five customers, such customers are high-net-worth individuals working in industries such as

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internet, finance, construction, among others. The revenue contributed by top five customers increased significantly in 2020, which we believe was in line with our overall revenue growth. In addition, we introduced more platform events, PK features and PK ladder tasks in 2020 to increase user engagement. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, none of the above major customers was a connected person.

SUPPLIERS

Our suppliers primarily include hosts who stream on our platform or their associated talent agencies, promotion and marketing channel, and bandwidth and server custody service providers. We typically have over three years of business dealings with our major suppliers. We strive to have at least two candidates for each type of our suppliers to minimize any potential disruption in our operations, maintain sourcing stability, avoid over-reliance risk, and secure competitive pricing from suppliers. During the Track Record Period, we did not experience any interruption of supply or early termination of supply agreements that had any material adverse impact on our business or results of operations. We also seek to control our procurement costs by strengthening our internal controls. Our employee handbooks contain anti-bribery clauses, and to the best knowledge of our Directors, none of our employees received any kickback from our suppliers.

In each year/period during the Track Record Period, purchases from our five largest suppliers were RMB342.4 million, RMB420.6 million, RMB561.5 million and RMB327.6 million, respectively, accounting for 14.2%, 13.8%, 13.9% and 15.4% of our total purchases for the same years/period, respectively, and purchases from our largest supplier were RMB131.1 million, RMB119.3 million, RMB151.6 million and RMB103.0 million, respectively, accounting for 5.5%, 3.9%, 3.8% and 4.8% of our total purchases for the same years/period, respectively.

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The following table sets forth the details of our five largest suppliers during the Track Record Period.

<u>Rank</u>	<u>Supplier</u>	<u>Type of products/ services provided</u>	<u>Principal business</u>	<u>Year of commencement of business relationship</u>	<u>Purchase amount</u> <i>(RMB'000)</i>	<u>Percentage of our total purchase</u>
<i>For the year ended December 31, 2019</i>						
1	Supplier A	Streaming service	Talent agency service	2016	131,143	5.5
2	Supplier B	Marketing	Internet marketing service	2018	64,945	2.7
3	Supplier C	Streaming service	Talent agency management service	2017	55,398	2.3
4	Supplier D	Marketing	Marketing service on mobile applications	2016	46,738	1.9
5	Supplier E	Streaming service	Talent agency service	2018	44,211	1.8
Total					<u>342,435</u>	<u>14.2</u>
<i>For the year ended December 31, 2020</i>						
1	Supplier F	Streaming service	Talent agency service	2019	119,289	3.9
2	Supplier A	Streaming service	Talent agency service	2016	116,640	3.8
3	Supplier G	Marketing agency service	Marketing service on mobile applications	2020	65,091	2.1
4	Supplier H	Streaming service	Talent agency service	2019	60,167	2.0
5	Supplier I	Streaming service	Talent agency service	2019	59,410	2.0
Total					<u>420,597</u>	<u>13.8</u>

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<u>Rank</u>	<u>Supplier</u>	<u>Type of products/ services provided</u>	<u>Principal business</u>	<u>Year of commencement of business relationship</u>	<u>Purchase amount</u>	<u>Percentage of our total purchase</u>
					<i>(RMB'000)</i>	
<i>For the year ended December 31, 2021</i>						
1	Supplier J	Streaming service	Talent agency service	2020	151,584	3.8
2	Supplier K	Streaming service	Talent agency service	2021	122,080	3.0
3	Supplier L	Streaming service	Talent agency service	2019	104,696	2.6
4	Supplier I	Streaming service	Talent agency service	2020	93,509	2.3
5	Supplier F	Streaming service	Talent agency service	2019	89,653	2.2
Total					561,522	13.9
<i>For the five months ended May 31, 2022</i>						
1	Supplier M	Streaming service	Talent agency service	2021	102,989	4.8
2	Supplier N	Streaming service	Talent agency service	2020	89,974	4.2
3	Supplier O	Marketing agency service	Marketing service on mobile applications	2020	53,240	2.5
4	Supplier L	Streaming service	Talent agency service	2019	42,628	2.0
5	Supplier P	Streaming service	Talent agency service	2021	38,722	1.8
Total					327,553	15.4

As of the Latest Practicable Date, none of our Directors, their associates or any existing Shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers.

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Licensing Agreement with MCSC

We have entered into an agreement with the MCSC, which allows us to use music content licensed by the MCSC on our platform. Major terms of our agreement with the MCSC are set forth below.

- *Licensing scope.* MCSC authorizes Huafang Technology and Mijing Hefeng to use and download work products of MCSC’s members.
- *Duration.* The duration of the agreement is typically three years.
- *Payment.* We pay a base fee plus certain percentage of our revenue generated from virtual gifts and advertisements resulted from the use of music from the MCSC.
- *Termination.* We are entitled to terminate the agreement if the other materially breach the agreement and vice versa.

Cooperation with App Distribution Channels

We are required to comply with the standard terms and condition of the various application stores, including Apple’s App Stores. Apple’s App Stores charges 30% of the total transaction amount as process fees. Other application stores typically do not charge transaction process fees. All of such distribution channels have rights to remove our mobile apps from their app stores if we are deemed to violate their terms and conditions.

Prior to being acquired by us in December 2020, *Monkey* and *HOLLA* were removed from Apple’s App Store in January 2020 for alleged violation of Apple’s terms of services relating to user-generated content, although Apple did not specify the users or content that allegedly violated its terms of services. Due to the removal of *Monkey* and *HOLLA* from Apple’s App Store, from January 2020 to the Latest Practicable Date, *Monkey* and *HOLLA* apps could not be downloaded from Apple’s App Store, but the existing users were still able to access these apps if downloaded prior to the removal. Nonetheless, *HOLLA* and *Monkey* apps remained available on Google Play marketplace when the apps were removed from Apple’s App Store. In addition, from January 2020 to the Latest Practicable Date, users could download *HOLLA* from other app stores and distribution channels. The number of cumulative registered users of *Monkey* and *HOLLA* in aggregate increased from 16.1 million as of December 31, 2019 to 29.7 million as of December 31, 2020, representing a growth rate of approximately 85.0%, which was slower than the growth rate of over 800% in 2019, mainly due to the removal of *Monkey* and *HOLLA* from Apple’s App Store.

After the acquisition of *HOLLA* Group in December 2020, we have adopted more stringent internal control policy over many aspects of the operations of our social networking products, including user reporting system and AI text classification and moderation, among others, to reduce user generated contents that could potentially violate distribution channels’ terms of services. Specifically, we expanded the categories for user reporting, allowing them

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to report on improper user behavior or information, such as bullying behavior. An AI-based text filter and classification system has also been implemented, which allows us to detect and remove harmful content before it reaches end-users. This system utilizes natural language processing AI to accurately identify inappropriate content and scans in real time for text form of violations and to detect inappropriate user behavior in video chat. We have also launched Web client for *Monkey*, and increased our efforts in promoting Web clients of *Monkey* and *HOLLA*, primarily by leveraging influencer marketing and search engine advertising. As of the Latest Practicable Date, *HOLLA* was accessible from Google Play and the overseas app stores of Xiaomi, Samsung and Oppo, among others, and *Monkey* was downloadable from Google Play. After our acquisition, the number of cumulative registered users of *Monkey* and *HOLLA* in aggregate increased to 56.7 million as of December 31, 2021, representing annual growth rate of approximately 90.6%, and further increased to 64.5 million as of May 31, 2022. The average MPUs of *Monkey* and *HOLLA* in aggregate for the year ended December 31, 2021 and for five months ended May 31, 2022 was 42,596 and 53,863, respectively. Considering the increase in the cumulative registered users and average MPUs of *Monkey* and *HOLLA* after our acquisition, our Directors are of the view that our business was not materially affected because of such removal as we acquired HOLLA Group and the related overseas social networking products in December 2020, at which point and up to the Latest Practicable Date, *HOLLA* and *Monkey* could be accessed from other prominent online distribution channels.

SEASONALITY

We have experienced, and expect to continue to experience, seasonality in our business. For example, we generally experience an increase in revenue from live streaming services in the fourth quarter of each year for the China market, as live streaming platforms generally organize marketing campaigns, host contests and other activities, which tend to attract more users and stimulate content production and user engagement on our platform towards the end of each year. We also experience fluctuations in revenue in connection with our overseas operations. Revenue generated from our overseas social networking products generally increases during summer and winter vacation periods, as the local younger users tend to spend more time on our apps to socialize with others. Revenue generated from our overseas social networking products tends to decrease during major local festivals when local users tend to decrease their online time or suspend virtual social events temporarily for offline activities. We expect our revenue to continue to fluctuate based on seasonal factors that affect the online video and audio entertainment market in China and globally.

INTELLECTUAL PROPERTY

We protect our intellectual property rights through a combination of copyright, trademark and other intellectual property laws, as well as confidentiality and license agreements with our employees, suppliers, customers and others. In general, our employees must enter into a standard confidentiality agreement acknowledging that all inventions, trade secrets, developments and other processes generated by them on our behalf are our property, and assigning to us any ownership rights that they may claim in those works. Despite our precautions, however, third parties may obtain and use intellectual property that we own or

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license without our consent. During the Track Record Period, we did not find any of such breaches of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors — Risks Related to Our Business — Unauthorized use of our intellectual properties by third parties may harm our brands and reputation, and the expenses incurred in protecting our intellectual property rights may materially adversely affect our business.”

As of the Latest Practicable Date, we owned 56 registered domain names in China. We generally renew our domain name registrations once every year and applications for their renewal are usually automatically made prior to their expiration. Under normal circumstances, the domain name registrations take effect immediately after the payment of renewal fees. As of the Latest Practicable Date, all of our registered domain names remained in effect. If any of our domain name registrations cannot be renewed for any reason, the domain name registrar may deregister the relevant domain name.

As of Latest Practicable Date, we held 277 software copyrights registered in China and 406 trademarks in various categories and registered in China.

We did not have any other material pending legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date. For details of our material intellectual property rights, see “Appendix IV — Statutory and General Information — B. Further Information about Our Company’s Business — 2. Intellectual Property Rights.”

COMPETITION

As an online entertainment platform that caters to a diverse range of users on both mobile apps and PC clients, we compete with other social entertainment platforms offering similar products and services. In addition, other major companies in the internet industry have established their own live streaming businesses and compete with us for user time. For our overseas products, we compete with regional and global social entertainment platforms that offering online video entertainment and social discovery services.

We believe that our ability to compete effectively depends upon many factors, including the size, composition and engagement of our user base, our ability to adjust to rapid advancements in technology and user demands, our marketing and selling efforts, and the strength and reputation of our brand.

As we directly compete with other entertainment live streaming platforms that focus on entertainment content offerings, we consider such platforms as our direct competitors. Our direct competitors primarily include, among others, *Kugou Live & Kuwo Live* under Tencent Music Entertainment Group, *YY Live* under Baidu, *Inke Live* under Inkeverse, *Now Zhibo* under Tencent, and *Yi Zhibo* under Weibo. Nonetheless, we are inevitably exposed to varying degrees of competition from other players in China’s online video social entertainment industry that

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offer content options and services broader than ours, such as *Kuaishou* under Kuaishou Technology and *Douyin* under Douyin Group. In particular, we may indirectly compete with such players for (1) user time and (2) cooperation opportunities with well-established talent agencies and viable hosts. Our users may be attracted to gaming or e-commerce-related live streaming content offered by these players, therefore reducing user time spent on our platform. Meanwhile, we may also indirectly compete with these players for talent agencies and hosts, especially those who could become prominent hosts on our platform. Furthermore, the quality of live streaming content on our platform could also be adversely affected if we fail to attract and groom viable hosts. See also “Risk Factors — If we fail to attract, groom and retain hosts or maintain our relationship with talent agencies, hosts may cease to produce content, and we may experience declines in the number of users accessing our platform and in the user engagement.”

Due to such exposure to varying degrees of competition from other players in China’s online video social entertainment industry, we have been strategically focusing on the development of certain aspects of our business, including (1) continuously improving the quality of entertainment live streaming content on our platform, (2) strengthening our research and development and technology capability for user experience improvement, (3) further improving our service capability for users with high cumulative spending, and (4) providing favorable services and rewards to attract and retain viable hosts. Particulars of these development strategies are set forth below.

- *Quality improvement for our content offerings.* We believe that the quality of our entertainment live streaming content could be improved by our trainings complementary to our hosts, among others. In particular, we invest resources in training viable hosts, offering a series of online and offline training sessions on live streaming operations, content creation, and communication techniques and manners, delivered by both our in-house streamer associations or third-party streamer associations or MCNs. Our operational staff continuously impart their knowledge and experience accumulated during the course of their daily work to hosts through “on-the-job” training, and they may also pair more experienced hosts with novice hosts for one-on-one training sessions, so that these novice hosts can hone their live streaming skills. In addition, we contact promising hosts and provide them with customized trainings and encourage them to stimulate and involve their viewers to maximize user engagement and produce entertaining user-generated content. We also plan to improve the quality of content on our platform by establishing host training teams, leasing properties for offline live streaming bases, and setting up host training camps. See “Future Plans and [REDACTED].”
- *User experience improvement.* For improving user experience on our platform, we have developed a series of special features, including H.265 technology, AI video special-effect technology, virtual background features, special effect recognition features for screen gestures, expression transfer features, “hand puppet” and “finger heart” features, and customizable gifts supported by 3D engine technology. See “Business — Technology.” For further user experience improvement, we plan to (1)

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continue developing machine learning algorithms and multi-objective optimization technology for deeper insights into user preferences, (2) invest in our computer vision and graphics capabilities to further encourage interaction on our platform, and (3) upgrade live streaming technology for higher video quality, lower latency and transmission stability under various network conditions. See “Future Plans and [REDACTED].”

- *Service capability improvement.* We have established *Huajiao Club* and *6.cn Club*, exclusive communities for users with high cumulative spending, to build a trust-based relationship with our users and enhance their stickiness to our platform, which help us maintain favorable monthly ARPPU for *Huajiao* and *6.cn*. In addition to birthday gift, top-up assistant and dedicated account manager, we plan to provide users with high cumulative spending with more complementary personalized services and benefits, such as designing promotional activities exclusive for such users and improving the interaction frequency between such users and our account manager to further understand their needs.
- *Favorable services and rewards to viable hosts.* In order to provide incentive for viable hosts to stay with us, we provide them with rewards, such as additional user traffic reference. Our professional operation team analyzes host performance, live streaming environment, real-time audience control capability, and interaction ability. We then allocate user traffic which matches to the live streaming styles of hosts based on our assessment of their talents, communication styles and streaming content. Hosts may also earn other rewards, such as content production assistance. In the future, we will continue to adjust our reward policies in accordance with the industrial practice in order to retain viable hosts.

For risks relating to our competitiveness in the industry, see “Risk Factors — Risks Related to Our Business — The markets in which we operate are highly competitive, and we face significant competition in many major aspects of our operations. If we fail to compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.”

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EMPLOYEES

As of May 31, 2022, we had 623 full-time employees, all located in China. The following table sets forth the number of our employees by function as of May 31, 2022:

Function	As of May 31, 2022	
	<i>Number</i>	<i>%</i>
Sales and marketing	52	8.3
Technology, research and development	254	40.8
Business operations	92	14.8
General and administrative	84	13.5
Content monitoring	103	16.5
Customer service	38	6.1
Total	623	100.0

We primarily recruit our employees in China through recruitment agencies, on-campus job fairs and online recruiting channels, including our corporate website, job search websites and social networking platforms. We provide on-the-job training to our boarding employees. We also provide external training opportunities to selected employees during their course of employment. As part of our strategies to expand overseas markets, we also actively recruit employees with overseas education and work experience, who are familiar with the culture of our overseas target markets. Since our products and services primarily aim to retain and attract younger generation of users, our strive to attract younger generation of qualified employees. As of May 31, 2022, more than 50% of our employees aged below 30 and more than 11% of our employees aged below 25.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans. We are required under PRC laws to make contributions to employee benefit plans at specified percentages of the salaries. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. During the Track Record Period, we paid relevant social insurance and housing provident fund contributions for our employees in compliance with PRC regulations. We also purchase commercial insurance for regular employees and joint insurance for the family members of them. The types of insurance we purchase cover severe disability, serious illness and traffic accident insurance. We also purchase health insurance for senior executives and other key employees.

We believe that we maintain a good working relationship with our employees, and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

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PROPERTIES

We do not own any real properties. As of the Latest Practicable Date, we operated our business through nine leased properties in Beijing, Tianjin, Baoding, Chengdu and Hainan. Our leased properties in China serving as our offices are considered as non-property activities under Rule 5.01(2) of the Listing Rules. Even if we experience temporary interruption to our usage of any of our leased office space, we believe that our employees can continue to perform the material aspects of their duties remotely, and that our offices in other or alternative locations can adequately support the functioning of our business operations in areas where we experience temporary office space interruptions through our technology infrastructure.

As of the Latest Practicable Date, our leased properties had a total gross floor area of approximately 8,500 square meters, with the gross floor area of each leased property ranging from approximately 10 square meters to 6,200 square meters. The relevant lease agreements have lease expiration dates ranging from the end of November 2022 to the end of November 2026, subject to an option to renew the lease.

No single property interest that forms part of non-property activities has a carry amount of 15% and no single property interest that forms part of property activities has a carry amount of 1%, of our total assets as of May 31, 2022. Accordingly, we are not required under Chapter 5 of the Listing Rules to value or include in this document any valuation report of our property interests, and, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Non-registration

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). The registration of such leases will require the cooperation of our lessors. As of the Latest Practicable Date, we had not obtained lease registration for certain of the leased properties used as general offices in China, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. We will take all practicable and reasonable steps to ensure that such leases are registered. As advised by our PRC Legal Advisor, the lack of registration of the lease agreements will not affect the validity of such lease agreements.

According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each

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non-registered lease. As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

INSURANCE

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain insurance policies covering damages to our technology infrastructure or properties. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. During the Track Record Period, we did not make any material insurance claims in relation to our business. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See “Risk Factors — Risks Related to Our Business — Our limited insurance coverage could expose us to significant costs and business disruption.”

LEGAL PROCEEDINGS

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. We were involved in 16 copyright infringement claims with certain third parties, including MCSC and entertainment companies initiated during the Track Record Period. Specifically, Mijing Hefeng was named as the defendant in one lawsuit with MCSC for alleged unauthorized use of the music copyrights by hosts during their live streaming sessions, and we paid MCSC RMB50,000 to settle the dispute. Mijing Hefeng was named as the defendant in eight copyright infringement lawsuits, among which, Mijing Hefeng compensated approximately RMB5,500 to the plaintiff in one copyright infringement case involving the unauthorized use of copyrighted comics in promotion activities, and the one case involving alleged unauthorized use of copyrighted novel during streaming session was dismissed. The remaining six lawsuits involving alleged unauthorized use of copyrighted music were withdrawn by the plaintiffs before final judgment. Holla Technology (formerly known as Mizhi Technology), a subsidiary of Huafang Technology, was named as the defendant in two copyright infringement disputes relating to use of copyrighted anime and music product by Holla Technology, and we paid RMB108,000 to settle the disputes. During the Track Record Period, Huafang Technology was named as the defendant in six copyright infringement disputes relating to the use of copyrighted music during live streaming sessions by three entertainment companies, two were withdrawn by the plaintiffs, and we were ordered to compensate the plaintiffs in three cases for RMB7,000 in aggregate, and one case was pending for final judgment as of the Latest Practicable Date. Due to the remaining one lawsuit of copyright infringement by Huafang Technology and Holla Technology pending for final judgment, the total unsettled claim amount was below RMB1.0 million, calculated based on the maximum amount subject to the claims and potential legal expenses sought from us. While we intend to defend these lawsuits vigorously and believe that we have valid defenses, there can be no assurance that a favorable outcome will be obtained. However, considering the

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nature of these lawsuits and the amount of subject matters thereof, our Directors are of the view that the total liabilities could be incurred resulting from the event of losing all of these lawsuits will not have material adverse impact on our business, financial condition and results of operations. See also “— Risk Management and Internal Control — Content and Hosts on Our Platform.” In addition, our cooperation agreements with hosts include standard indemnity provisions, pursuant to which the relevant host shall indemnify and hold harmless us against any and all claims, actions, damages, suit and liabilities that may be asserted by a third party against us in connection with the infringement of copyrights and intellectual properties by the relevant host. In considering whether to enforce indemnity provisions under cooperation agreements against hosts that have been adjudicated to have infringed music copyrights, we take into consideration a range of factors, including but not limited to, the costs and expenses associated with enforcement of such indemnity provisions, the monetary amount of judgment sums in respect of infringement cases, follow-up action or disciplinary action that has been taken against such hosts and whether such hosts continued to disregard music copyright protection and commercial relationship with such hosts. Based on the aforementioned factors, in particular the amount of damage actually incurred, which was not more than RMB60,000, we did not seek indemnification from hosts for litigation resulting from alleged copyright infringements during the Track Record Period.

Our hosts and their associated talent agencies may also have contract disputes with us from time to time. We were involved in 60 contract disputes with our hosts and/or their associated talent agencies that were initiated during the Track Record Period, among which 19 disputes were still pending for final judgments as of the Latest Practicable Date. Among the 60 contract disputes with hosts and/or their talent agencies, 53 were related to the breach of exclusivity clause in the respective cooperation agreement by our hosts, and the remaining disputes were primarily related to the settlement amount of revenue-sharing arrangement with hosts and/or talent agencies. For the 41 disputes with final judgments, we were the plaintiff in 34 disputes and were awarded an aggregated compensation of approximately RMB11.3 million, and we paid approximately RMB1.9 million in damages and/or settlement as the defendant for remaining seven disputes, all of which were primarily related to disputes with hosts and/or talent agencies for revenue-sharing determination. As for 19 pending disputes, we were plaintiff for 18 pending disputes with an aggregate contract claims of RMB23.1 million, and we were named as the defendant for remaining one pending dispute with a maximum potential damages of approximately RMB50,000, which relates to a talent agency’s failure to settle payment with its associated host, who also named us as a co-defendant along with the talent agency. Revenue contributed by hosts and talents agencies involved in these contract disputes was RMB73.2 million, RMB32.1 million, RMB20.5 million and RMB2.8 million in 2019, 2020, 2021 and the five months ended May 31, 2022, respectively, representing approximately 2.6%, 0.9%, 0.4% and 0.1% of our total revenue in the same periods, respectively. Due to the relatively small number of disputes and claim amounts, as compared to our large host cohort, and the fact that these contract disputes with hosts and talent agencies arose in the ordinary course of our business during the Track Record Period, our Directors are of the view that these disputes did not and will not have a material and adverse effect on our business, financial condition and results of operations.

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Lingdong-related Arbitration

In connection with the Disposal of Beijing Lingdong as described in the section headed “History, Reorganization and Corporate Structure — Lingdong Acquisition and Disposal”, following the default in payment by Beijing Lingdong Founder and Beijing Rongyu, we have engaged qualified PRC legal advisors to advise on the potential arbitration proceeding against Beijing Lingdong Founder, Beijing Rongyu and Beijing Lingdong to recover the overdue portion of the Outstanding Consideration and the Dividend Distribution in the amount of RMB105,082,000 and losses incurred in connection with the default based on the arbitration clause set out in the Disposal Agreement (the “Potential Arbitration Proceeding”). On July 7, 2021, we reported the dispute with Beijing Lingdong Founder to the Beijing Xicheng branch of the Public Security Bureau (the “Public Security Bureau”). Based on our communication with the Public Security Bureau, given Beijing Lingdong Founder was the only person who negotiated with us in relation to the Disposal of Beijing Lingdong, we requested the initiation of criminal investigation over the alleged misconduct of Beijing Lingdong Founder in connection with the default of the Outstanding Consideration and the Dividend Distribution (the “Criminal Investigation,” together with the Potential Arbitration Proceeding, the “Ongoing Legal Proceeding”). As represented by the management of Huafang Technology, Huafang Technology made the indictment submission to accuse Beijing Lingdong Founder of contract fraud and embezzlement to the Public Security Bureau. As of the Latest Practicable Date, we had received the notice from the Public Security Bureau that it had decided to initiate criminal investigation over the alleged misconduct of Beijing Lingdong Founder in respect of misappropriation of funds.

We have also engaged Beijing Rongtai Law Firm (the “Arbitration Counsel”) to advise the Potential Arbitration Proceeding against Beijing Lingdong Founder, Beijing Lingdong and Beijing Rongyu and provide an opinion as to (1) the likelihood of prevailing in the Potential Arbitration Proceeding against Beijing Lingdong Founder, Beijing Lingdong and Beijing Rongyu, and (2) whether the Potential Arbitration Proceeding would have any material adverse impact on our business operations and financial condition. Pursuant to applicable dispute resolution procedures in China, as of the Latest Practicable Date, the Potential Arbitration Proceeding was pending the investigation result of the Criminal Investigation, which was ongoing as of the same date.

Having considered the facts and circumstances, the underlying evidence and documentation and having conducted interviews with our management, the Arbitration Counsel has advised us that:

- the claims against Beijing Lingdong Founder in connection with the default of Beijing Lingdong Founder and Beijing Rongyu under the Disposal of Beijing Lingdong are more likely to be supported by the arbitration tribunal or the court on the basis that (1) pursuant to the terms of the Disposal Agreement, Fang Qi and Beijing Lingdong are contractually obligated to make payment of the Dividend Distribution, failing which would constitute a breach of contract by Fang Qi and Beijing Lingdong, and impose on them further obligation to make payment of the

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Dividend Distribution and other losses thereof; (2) pursuant to the terms of the Disposal Agreement, Beijing Rongyu is contractually obligated to make payment of the Outstanding Consideration, failing which would constitute a breach of contract by Beijing Rongyu, and impose on it further obligation to make payment of Outstanding Consideration and other losses thereof; and (3) relevant evidence could support the determination that Fang Qi ultimately controlled Beijing Rongyu during the relevant period, and therefore he should be jointly and severally liable for Beijing Rongyu's default under the Disposal Agreement; and

- considering that Huafang Technology is the plaintiff in the Potential Arbitration Proceeding, the Potential Arbitration Proceeding would not have any material adverse impact on its business operations and financial condition.

The Directors, after taking into account the advice from the Arbitration Counsel and the distinctive business nature and separate operations of Beijing Lingdong, are of the view that the Disposal of Beijing Lingdong and the Ongoing Legal Proceeding would not have any material adverse impact on our business operations or financial condition.

COMPLIANCE

Current effective laws and regulations in relation to real-name registration requirement on internet live-streaming platforms like us are the Internet Live Streaming Service Management Regulations, the Provisions on the Administration of Internet Audio and Video Information Services, the Provisions on the Administration of Internet User Public Account Information Services, the Opinions on Regulating Virtual Gifting to Strengthen the Protection of Minors, and the Provisions on the Administration of Internet User Account Information.

To comply with the above laws and regulations, during the Track Record Period and up to the Latest Practicable Date:

- (1) We collect mobile phone numbers of users when they register accounts on our platform. Before August, 2022, as an alternative, if users chose to use their IDs associated with other platforms such as Weibo, WeChat or QQ for registration, we collected users' IDs associated with these platforms, which had been registered on users' mobile phone number or other personal information through SDKs. Since August 1, 2022, under the guidance of the CAC, we have started to collect mobile phone numbers of all new and active users on our platform; and
- (2) We require all hosts to undergo real-name registration and facial recognition, and collect their personal information when they register host account on our platform.

We also request each of the users to agree to the terms and conditions set forth in the user agreements of our platform, pursuant to which, each user undertakes to, among others, use authentic identity and personal information to register an account, confirm he/she reaches the age of eighteen and authorize us to verify the authenticity of personal information provided.

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We have also adopted various measures and made significant efforts to comply with the requirement of minor protection and restrictions on minors on virtual gifting. These measures include establishing and continuing to upgrade youth mode, setting up a specialized customer service team to handle complaints related to virtual gifting by minors using the account of others, and managing hosts on our platform to prevent them from encouraging or soliciting virtual gifts from potential minor users, among others. See “ — Risk Management and Internal Control — Minor Protection and Virtual Gifting Management” and “— Content and Hosts on Our Platform.”

Based on consultation with the Beijing Radio and Television Bureau on March 29, 2022 and the NRTA on April 1, 2022, we have not been subject to any administrative penalties. According to the written confirmation from relevant provincial and municipal cultural administrative enforcement divisions, we have not been subject to any administrative penalties related to the aforementioned regulations during the Track Record Period.

Based on the above, our PRC Legal Advisor is of the view that we have adopted measures to implement the requirement stipulated in the current effective laws and regulations, and have fulfilled the prevailing real-name registration regulatory requirements during the Track Record Period and up to the Latest Practicable Date.

In addition to the abovementioned regulations, we are also subject to the Code of Conduct for Streamers. According to the Code of Conduct for Streamers which took effect on June 8, 2022, (1) for live streaming content that requires a high level of professional competency (such as medical and health care, finance, law and education), streamers should obtain the corresponding practice qualifications and report the practice qualifications to the live streaming platforms, and the live streaming platforms should review and record the relevant qualifications; (2) during live streaming sessions, streamers shall not behave extravagantly or waste food, flaunt luxury goods, jewelry and other assets, or display sexually suggestive and provocative content; (3) live streaming platforms shall establish comprehensive internal policies to manage their streamers, covering various aspects of operations, from recruitment, training, daily management, performance evaluation to violation record management, and shall provide incentives to streamers who display positive qualities and abide by the Code of Conduct, and reprimand and discipline hosts who have violated the Code of Conduct, and ban the account of streamers who have repeatedly violated the Code of Conduct or applicable rules and regulations.

Our live streaming platform primarily provides entertainment live streaming content, including music, dance, and social networking, among others. Our platform does not have specialized live streaming categories that require a high level of professional competency. In addition, our community guidelines and green live streaming convention require hosts to adhere to a healthy style and taste, and to consciously oppose undesirable behaviors such as money worship, waste of food, flaunting of extravagant lifestyle, and to proactively strengthen self-development and learning. In addition, our community guidelines also require hosts who plan to create content involving a high level of professional competency to obtain the corresponding practice qualifications and to provide such qualifications to us, so that we can

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review and maintain a record of such qualifications. We have established a series of internal policies and talent fostering system, which manage hosts recruitment, training, content creation and review, host classification and credit management, dress code behavior standards, user management, thread comments, and inspection management. We have also formulated community guidelines and green live streaming convention, which have been prominently displayed on our platform and have set forth clear requirements for hosts’ code of conduct. We impose various degree of penalties on hosts based on the specific types of violations and transgression. Furthermore, we have adopted a content review mechanism that combines AI technologies and manual content review. Our content review team consisted of more than 220 members as of May 31, 2022. Through our content review mechanism, we monitor streaming activities on our platform, and prevents the aforementioned inappropriate or illegal content from being displayed on our platform. We have the right to suspend live streaming sessions and to impose bans or other types of penalties on hosts for displaying content in violation of our internal policies or relevant laws and regulations.

Based on the above analysis, our PRC Legal Advisor is of the view that, save as disclosed in “— Content Screening and Review — Regulatory Incidents Involving Contents and Hosts,” we have fully complied with the applicable requirements under the Internet Live Streaming Service Management Regulations, the Code of Conduct for Streamers, and other effective laws and regulations during the Track Record Period and up to the Latest Practicable Date.

LICENSE AND REGULATORY APPROVALS

As confirmed by our PRC Legal Advisor, we have obtained all licenses, permits and certificates from the relevant regulatory authorities that are necessary to conduct our operations in material aspects. We closely monitor the regulatory development governing our industry and operations. As advised by our PRC Legal Advisor, nothing has come to their attention that would cause them to believe that there are material impediments to renew licenses, permits and certificates material to our operations upon their expiration as of the Latest Practicable Date. However, to the extent that we are unable to renew such licenses, permits and/or certificates, we may be required to adjust or temporarily suspend our operations, which may adversely affect our business and results of operations. For details, see “Risk Factors — Risks Related to Our Business — If we fail to obtain requisite approvals, licenses or permits applicable to our business or to comply with applicable laws and regulations, our business, results of operations, financial condition and prospects may be materially and adversely affected.” The following table sets out a list of material licenses, permits and approval currently held by us.

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<u>License/Permit</u>	<u>Entity Holding the License/Permit</u>	<u>Expiration Date</u>
Online Culture Operating License	Huafang Technology	November 22, 2025
ICP License	Huafang Technology	June 8, 2026
Commercial Performance License	Huafang Technology	June 29, 2024
Information Network Dissemination of Audio-Visual Programs Permit	Huafang Technology	February 13, 2024
Online Culture Operating License	Mijing Hefeng	June 24, 2025
ICP License	Mijing Hefeng	November 12, 2026
National Network Audio-Visual Platform Information Registration Management System	Mijing Hefeng	September 25, 2022 ⁽¹⁾
Commercial Performance License	Holla Technology	April 17, 2023
Online Culture Operating License	Holla Technology	December 11, 2022 ⁽²⁾
ICP License	Holla Technology	June 20, 2023
Online Culture Operating License	Huafang Canlan	April 17, 2025
Radio and Television Program Production and Operation License	Huafang Canlan	June 30, 2023
Commercial Performance License	Huafang Canlan	July 9, 2023
ICP License	Huafang Canlan	April 25, 2026
Online Culture Operating License	Maijike	December 13, 2023
ICP License	Maijike	July 12, 2024
Online Culture Operating License	Sichuan Huayin	May 20, 2025
ICP License	Sichuan Huayin	August 1, 2024
Online Culture Operating License	Chengdu Huayang	July 24, 2022 ⁽²⁾⁽³⁾
ICP License	Chengdu Huayang	September 22, 2025
Radio and Television Program Production and Operation License	Chengdu Huayang	May 30, 2024
Online Culture Operating License	Ruzuo Technology	January 11, 2024
ICP License	Ruzuo Technology	April 25, 2026
Online Culture Operating License	Hainan Kailin	July 29, 2024
ICP License	Hainan Kailin	August 13, 2026

(1) As of the Latest Practicable Date, Mijing Hefeng was in the process of renewing its filing with the National Network Audio-Visual Platform Information Registration Management System. During the renewal period, the Registration Management System can be operated normally. As confirmed by our PRC Legal Advisor, based on their consultation with BMRTB, there is no substantial obstacle to the renewal.

(2) As confirmed by our PRC Legal Advisor, there is no substantial obstacle to the renewal upon expiration.

(3) According to the notification of the MCT, if the relevant license including Online Culture Operating License expires during the period from July 1, 2022 to December 31, 2022, the license renewal period shall be calculated based on the six-month extension of the original expiration date and during the extended issuance period, the relevant licenses shall be deemed to be in normal existence. Considering the expiration date of our Online Culture Operating License has been extended to January 24, 2023 according to such notification, we undertake to submit our renewal application in December 2022.

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AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received a number of awards and recognitions in connection with our business. Some of the significant awards and recognitions we have received are set forth below.

Awards and Recognition	Awarding Parties	Year of Award
China’s Top 100 Internet Companies (中國互聯網百強企業) in 2017, 2018, 2019, 2020 and 2022	China’s Internet Association and Information Center of the Ministry of Industry and Information Technology of China	2017–2020, 2022
National High-Tech Enterprise (高新技術企業)	Ministry of Science and Technology of China	2019
Secretary General of Internet Performance (Live Streaming) Branch of China Association of Performing Arts (中國演出行業協會網絡表演(直播)分會秘書長單位)	China Association of Performing Arts	2017
Vice President of Beijing Internet Culture Association (北京網絡文化協會副會長單位)	Beijing Internet Culture Association	2020
Member of China’s Internet Association (中國互聯網協會會員單位)	China’s Internet Association	2015

RISK MANAGEMENT AND INTERNAL CONTROL

We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to implement anti-bribery and anti-corruption measures and ensure that our employees comply with our internal rules and

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policies as well as the applicable laws and regulations. For example, our internal audit committee regularly organizes employees to attend educational events about business ethics and provides employees with an effective feedback channel, so as to help employees develop an anti-corruption awareness and encourage mutual supervision among each other. Our internal audit committee also regularly reports to the management team regarding its work progress. We have also highlighted certain prohibitions in our internal anti-bribery and anti-corruption policies, including, among others, acceptance of bribes or rebates, embezzlement or misappropriation of corporate assets, and forgery or alteration of accounting records. We offer compulsory training courses to our onboarding employees and continuing training to our existing employees to enhance their knowledge and awareness of the relevant rules and regulations. We also keep abreast of the latest regulatory updates and communicate with the relevant regulatory authorities from time to time to discuss the latest regulatory requirements in light of the evolving nature of the live streaming industry.

We have appointed Goldlink Capital (Corporate Finance) Limited as our compliance advisor with effect from the date of the [REDACTED] to advise on ongoing compliance with the Listing Rules and the applicable securities laws and regulations in Hong Kong.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Our Directors are of the view that we have adequate and effective internal control procedures, that the suitability and competency of our Directors is compliant with Rules 3.08 and 3.09 of the Listing Rules, and that our Company is suitable for [REDACTED] under Rule 8.04 of the Listing Rules.

Minor Protection and Virtual Gifting Management

The NRTA promulgated the Notice 78, which sets forth registration requirements for platforms providing online show live streaming or e-commerce live streaming as well as requirements for real-name registration, limits on user spending on virtual gifting, prohibitions of virtual gifting by minors, live streaming review personnel requirements, content tagging requirements and other requirements. For more information on Notice 78, see “Regulations — Regulations Relating to Online Live Streaming Services.” The laws, regulations and drafts in the current form, including the May 7 Opinions, as set out in section headed “Regulation — Regulation Relating to Minor Protection” require that, among others: (1) live streaming platforms are not allowed to provide minors under age 16 with online live streaming host account registration service, and must obtain the consent from parents or other guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming host accounts; (2) minors and users without real-name registration are prohibited from virtual gifting; (3) live streaming platforms shall implement and continue to improve anti-addiction system and youth mode system, log off all services in such youth mode after 10:00 PM on a daily basis, and establish a customer service team to promptly process and settle relevant complaints and disputes relating to minors; and (4) live streaming platforms shall cancel all gifting leaderboards and are prohibited from evaluating the performance of hosts solely based on the amount of virtual gifts received.

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We have taken various measures and made significant efforts to comply with the foregoing relevant requirements of real-name registration, restrictions on minors on virtual gifting and certain other requirements:

- (1) Pursuant to our policies, the minimum age requirement to register as a user or as a host on the our live streaming products is 18. We have required real-name registration from all hosts on our platform through collecting their personal information such as names and identification numbers since our inception. There was no minor with host accounts on our live streaming platform during the Track Record Period and up to the Latest Practicable Date. Prior to August 1, 2022, we have collected mobile phone numbers of our users when they register accounts on our platform. As an alternative, if users choose to use their IDs associated with other platforms such as Weibo, WeChat or QQ for registration, we will gather their IDs associated with these platforms which have been registered on users’ mobile phone number or other personal information through SDKs, to satisfy the requirements of real-name registration. Since August 1, 2022, we have started to collect mobile phone numbers for all of our new users and active users. For more information, see “Business — Data Security and Privacy.” In addition, we request users to agree to the terms and conditions set forth in the user agreements of our platform. Pursuant to the user agreements, each user undertakes to, among others, use the authentic identity and personal information to register an account, confirm they have reached the age of eighteen and authorize us to verify the authenticity of personal information provided to us. During the Track Record Period and up to the Latest Practicable Date, there was no incident of breach of such requirement. Nonetheless, we were the subject of nine complaints in relation to virtual gifting by minors using the account of others during the Track Record Period, for which we investigated each complaint relating to such incidents, refunded minor virtual gifting verified by us and closed relevant user accounts where appropriate.

- (2) We have set up and continuously upgraded our youth mode, which is intended for minors under 18 years old using the account of adults under supervision, since September 2019, which is available in all of our video-based and audio-based live streaming products in China, including *Huajiao*, *Naitang* and *6.cn*, and covers various aspects of minor usage, including internet addiction prevention and prohibitions of virtual gifting. Youth mode in all of our video-based and audio-based live streaming products in China have substantially similar functions, and are designed to provide minors with suitable content and prevent them from virtual gifting. When an adult user launches our app for the first time every day, the adult user can switch to the youth mode for minors under his or her supervision according to the pop-up prompt or settings in the app, and minors could browse or listen content whitelisted by our content team. Under the youth mode, we recommend content suitable for minors, such as live streaming related to documentaries, general education and health related topics. Virtual gifting is prohibited under the youth mode. In addition, we disable certain social features including bullet chatting, following and private message under the youth mode. Under youth mode, minors under supervision of adult users are granted limited access to our live streaming products for 40 minutes a day and longer

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access requires passwords set by adult users. Between 22:00 and 6:00 of the next day, we deny access to all of our video-based and audio-based live streaming products in China under youth mode. In 2019, 2020, 2021 and the five months ended May 31, 2022, the number of users who had switched to the youth mode at least once in the same period was approximately 1,100, 6,300, 7,800 and 2,700, respectively, representing less than 0.01% of the total number of registered users for our live streaming products as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. Compared with total number of registered users, there were very few users who switched to youth mode at least once during the relevant periods primarily because minors are not our target user group and are prohibited from making virtual gifts pursuant to relevant laws and regulations. We also have a specialized customer service team to handle complaints related to virtual gifting by minors using the account of others. We investigate each complaint, and will refund minor virtual gifting verified by us, and subsequently close the relevant user accounts. During the Track Record Period, we were the subject of nine complaints in relation to minors making virtual gifting using the accounts of their guardians. In each case, we examined the account information and relevant payment records provided to us. Based on our examination of account activities and payment records, we settled with and made appropriate refund to, four complaints. However, we concluded the investigation of the other five complaints without making refund, as there was insufficient evidence to prove that virtual items were purchased or gifted by minors. During the Track Record Period, we were not subject to any fines or other penalties from regulatory authorities involving virtual gifting or other streaming activities relating to minors or as a result of any of the aforementioned claims. As a result, our Directors are of the view that the impact of such complaints/disputes did not have a material and adverse impact on our operations and financial performance.

- (3) In addition to our youth mode and registration requirement, we have adopted policies to prevent minors from streaming or making virtual gifts using the account of others. For example, we prominently display warnings against soliciting virtual gifts from minors and streaming by minors in community feeds and in live streaming sessions. We leverage technologies such as AI algorithms to identify users that are suspected of being minors based on keyword searches on written messages. We monitor activities in live streaming sessions and will promptly suspend a live streaming session if the AI algorithms or our content review team identify suspected streaming by minors based on keyword searches on written messages, real-time surveillance and reports by users and hosts.
- (4) We have also implemented policies to regulate the activities of hosts to protect minors. We have emphasized our policies on minor protection with hosts and talent agencies, and will impose penalties on hosts if they were found to have solicited virtual gifting from minors. Such penalties include the return of fund gifted by minors and suspension or termination of host accounts. We also require hosts to promptly report to us when they believe their live streaming sessions are being viewed by minors, or when they notice that minors are making virtual gifts to them. Since June 2022, we have discontinued ranking hosts on our platform solely based

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on the monetary amount of virtual gifts received, and begun to evaluate factors such as daily tasks completed by hosts, number and activities of fan clubs, among others. We have also enhanced our management over streaming activities, such as limiting the number of real-time PK battles to two for each streaming room and suspending PK punishment mechanism, during the peak hours between 20:00 and 22:00 each day.

- (5) Although as advised by our PRC Legal Advisor, currently there are no regulations about the implementation details of the limitation on virtual gifting, we have adopted a number of measures to encourage users to closely monitor their spending on our platform. For example, we encourage users to turn on the gifting amount alert function and set their own daily virtual gifting limitation. We have also implemented a notification system, which delivers in-app messages to users when their top-up in a day reaches RMB10,000. We also remind users that minors are prohibited from making virtual gifts in these messages.
- (6) We have a content review team consisting of employees and contractors responsible to satisfy the requirement of the ratio of content analysts to online live streaming rooms under Notice 78. After the promulgation of Notice 78 and up to the Latest Practicable Date, we had maintained such ratio above 1:50 during the relevant period, we had maintained a content review team of more than 200 members, and the number of simultaneously active live streaming sessions was below 8,000 during all relevant time. For more information, see “Business — Content Screening and Review.”
- (7) According to Notice 78, platform shall implement label classification management for the content and hosts in the live broadcast rooms. During the Track Record Period, we had categorized our live streaming rooms and the corresponding hosts labeled as music, dance, outdoor, social networking or other types that do not require professional qualifications from hosts. Hosts on our platform are not allowed to change these labels without our review and final approval. Under each of these labels, there are certain different tags, such as gentle and humorous, for our hosts to more specifically introduce themselves and their live streaming rooms, which can be changed by hosts at any time.

In addition to the aforementioned measures implemented by us to comply with the relevant requirements of real-name registration and restrictions on virtual gifting by minors, we have consulted with relevant competent regulatory authorities with respect to the interpretation of requirements under Notice 78. As confirmed by consultations with relevant competent regulatory authorities on March 29, 2022 and April 1, 2022, (1) the relevant regulatory authority has not provided specific implementation guidelines of Notice 78; (2) Notice 78 has not stipulated any administrative penalties for any noncompliance; and (3) since the promulgation of Notice 78, the relevant regulatory authority has conducted several rounds of survey, examination and guidance on live-streaming platforms, and we have not been subject to any administrative penalties in connection with any non-compliance under Notice 78.

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During the Track Record Period and up to the Latest Practicable Date, the NRTA had not provided specific implementation guidelines of Notice 78, and we had not received any notice of enforcement actions or had been subject to any review, inquiry, investigation or administrative penalties in connection with any non-compliance under Notice 78.

On April 12, 2022, the NRTA issued the Notice on Strengthening the Management of Live Streaming of Games on the Online Audio-Visual Program Platform (《關於加強網絡視聽節目平台遊戲直播管理的通知》) (the “April 12 Notice”), which mainly regulates live streaming related to online games. For more information on April 12 Notice, see “Regulations — Regulations Relating to Online Live Streaming Services.” According to the April 12 Notice, live streaming platforms are strictly prohibited from disseminating or streaming online games that have not been approved by the competent authorities, and shall, among others, strengthen the management of gaming streamers. We had not organized or held gaming live streaming programs or competitions on our platform during the Track Record Period and up to the Latest Practicable Date. We require hosts not to stream online games that have not been approved by the competent authorities, and our content review team closely monitors live streaming sessions for online game related content. During the Track Record Period and up to the Latest Practicable Date, we had not identified any of our hosts streaming online games that have not been approved by the competent authorities on our platform.

Our PRC Legal Advisor is of the view that the aforementioned measures adopted by us are in compliance with relevant laws and regulations with respect to minor protection, real-name registration, as well as the requirement stipulated under April 12 Notice and May 7 Opinions. In addition, according to the iResearch Report, we have also taken the measures that are widely adopted by our industry peers, and our practices are in line with industry practice to prevent minors from making virtual gifts or watching live streaming on our platform.

Based on (1) aforementioned measures implemented by us to comply with the relevant requirements of real-name registration and restrictions on virtual gifting by minors, (2) the view of the industry consultant, (3) consultation with relevant regulatory authorities, and (4) the advice of our PRC Legal Advisor, our Directors believe that we have effective measures in place to ensure compliance with the various requirements under Notice 78, April 12 Notice, May 7 Opinions and other PRC laws and regulations in respect of minor protection in all material respects, and our financial condition and operations have not been materially and adversely affected since the adoption of the aforementioned measures, or by the implementation of Notice 78, April 12 Notice, May 7 Opinions and the Regulations on the Protection of Minors on the Internet (Draft for Comments).

We are closely monitoring and evaluating the regulatory development. We will maintain communication with regulatory authorities. If there is any further legislation or other intensified regulations and/or governmental actions in this regard, we will take prompt measure to comply with the relevant regulatory requirements.

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Content and Hosts on Our Platform

We continue to strengthen our content review capability, including the adoption of graphic and text capture technologies during each streaming session to timely identify potential violations. We will promptly suspend the relevant streaming session and/or freeze or terminate a host’s account if we confirm there is any violation of our community guidelines or applicable rules and regulations.

Our internal control measures over content review involve (1) suspension and/or termination of cooperation with hosts that engaged in illegal activities or repeatedly violate our community guidelines, (2) timely report to the relevant regulatory authorities for any suspected violation of laws and regulations, and (3) report to the China Association of Performing Arts of any host that has engaged in illegal activities on our platform so that such host can be listed on the warning lists. We regularly check the warning list published by the China Association of Performing Arts, and would prevent individuals on the warning lists from being able to register as a host on our platform.

We have implemented community guidelines and a green live streaming convention since July 1, 2022, which require hosts to adhere to a positive and healthy streaming style and to oppose undesirable behaviors such as money worship, waste of food and flaunting of extravagant lifestyle, in order to comply with the requirement stipulated under the Code of Conduct issued by the NRTA and the MCT on June 8, 2022. Furthermore, we have established a series of internal policies and the talent fostering system, which manage hosts recruitment, training, content creation and review, host classification and credit management, dress code behavior standards, user management, thread comments, and inspection management. We impose various degrees of penalties on hosts based on the specific types of violations and transgression. Our content review team, supported by our AI technologies, monitors the streaming activities on our platform to prevent inappropriate or illegal content from being displayed. We have the right to suspend live streaming sessions and to impose bans or other types of penalties on hosts for displaying content in violation of our internal policies, the Code of Conduct, and relevant laws and regulations.

We have adopted internal control policies governing the use of copyrighted content on our platform. Such internal control policies include, among others, (1) maintaining a blacklist of music content, which includes popular songs that are not licensed to us by copyright owners, which is updated from time to time and provided to all hosts on our platform; (2) prohibiting hosts from using music content included in the blacklist or any other unlicensed copyrighted content during streaming sessions; and (3) removing any records of content that are alleged to have violated the copyrights of others based on users’ or copyright owners’ reports, and issuing warnings to the relevant hosts. In order to mitigate the risk of copyright infringements, we have also entered into licensing agreements with copyright owners to expand the scope of licensed copyrights. See “— Suppliers — Licensing Agreement with MCSC.”

Anti-money Laundering Measures

Keeping money launderers out of our industry has long been a priority of ours. It is the policy of our platform to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. We have installed “know your customer” policies in place to help prevent money laundering, which involves

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monitoring the activity of customers and understanding the types of transactions that should raise red flags through training sessions for our employees. Our technical department is responsible for keeping records of all account transactions with our customers. We have also appointed money laundering reporting officers to alert our management where they suspect they have encountered the proceeds of crime, and we are under obligations to report suspicious activity to relevant financial investigation authorities. During the Track Record Period and up to the Latest Practicable Date, we had not identified any incident related to money laundering or terrorist or criminal activities.

Risk Management

We are exposed to various risks in the operations of our business, and we believe that risk management is important to our success. Key operational risks we face include, among others, changes in general market trends and the regulatory environment of the live streaming industry, our ability to maintain, improve and innovate our products and services, our ability to maintain cooperation relationships with talent agencies, and our ability to retain and grow our host pool. See “Risk Factors” for disclosures on various risks we face. In addition, we also face numerous market risks, such as credit and liquidity risks that arise in the normal course of our business. See “Financial Information — Quantitative and Qualitative Disclosures about Market Risks” for details.

We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the administration of daily operations, financial reporting and recording procedures, fund management policies, and compliance with applicable laws and regulations. Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. See “Directors and Senior Management — Board Committees — Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We have adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

BUSINESS ACTIVITIES RELATING TO COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we received payments through Apple’s App Store and Google Play from users of certain apps operated under HOLLA Group that were located in the Sanctioned Countries. These apps are all published and distributed through Apple’s App Store and Google Play, which are U.S. platforms. During the Track Record Period, revenues generated from payments received from users located in the Sanctioned Countries accounted for less than 1.0% of our total revenue. In August 2021, we stopped receiving payments from users in Sanctioned Countries after we adopted internal controls to prevent such transactions. We undertake not to accept any payment from users in Sanctioned Countries after the [REDACTED].

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Sanctions Risk

The United States and other jurisdictions or organizations, including the United Kingdom, the European Union, the United Nations, and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. See “Regulation — Sanctions Laws and Regulations.”

U.S.

Primary sanctions risk

As advised by our International Sanctions Legal Adviser, U.S. primary sanctions are applicable to activities involving a U.S. nexus such as funds transfers in U.S. currency that clear through the U.S. financial system or are processed by U.S. payment processors. U.S. primary sanctions could apply to us in specific situations, including transactions with or involving a Sanctioned Country or Sanctioned Target. During the Track Record Period, we received payments made to our mobile apps which involved Sanctioned Countries. Specifically, certain users of *Monkey* located in Sanctioned Countries made payments in U.S. dollars to our U.S. bank accounts. We also received these payments made by users located in Sanctioned Countries in an account at a branch of a U.S. financial institution in Hong Kong. However, as advised by our International Sanctions Legal Adviser, our limited activities during the Track Record Period with Sanctioned Countries are unlikely to create a material risk under U.S. primary sanctions given that (1) we have now implemented internal controls to prevent transactions with a Sanctioned Country or Sanctioned Target; (2) the underlying software involved in our apps contains no U.S.-origin content; (3) our apps are published and publicly available without restriction; (4) the distribution of our apps for personal communications and related services and payments may benefit from the general licenses published by OFAC for internet communications and OFAC generally does not penalize transactions relating to personal communications; and (5) the U.S. person involvement in our operations is relatively limited.

Secondary sanctions risk

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in transactions that facilitate or materially support sanctioned persons or activities, such as dealing in “confiscated” property in Cuba, certain Syria-related activities, and with Iranian SDNs or with certain types of industries in Iran even if no SDNs are involved, as well as those who “operate in” Crimea. As advised by our International Sanctions Legal Adviser, because we have ceased transactions involving Sanctioned Countries, we are not likely to become a Sanctioned Target under U.S. secondary sanctions.

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The European Union, the United Nations, the United Kingdom, United Kingdom overseas territories and Australia

As further advised by our International Sanctions Legal Adviser, our group companies incorporated in the Cayman Islands and the British Virgin Islands are directly subject to the sanctions regimes of the United Kingdom (which implement the sanctions imposed by the United Nations and by the European Union), however, our business dealings in the Relevant Jurisdictions do not appear to be unlawful under those sanctions regimes nor under those currently implemented in Australia.

See “Risk Factors — Risks Related to Our Business — We could be adversely affected by applicable sanction laws as a result of our payments received from users located in certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, the United Kingdom, Australia and other relevant sanctions authorities.” for further details regarding sanctions risks.

Our Undertakings and Internal Control Procedures

We have undertaken to the Stock Exchange that we will not use the [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country subject to International Sanctions or any other government, individual or entity sanctioned by the United States, the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is specifically identified on the SDN List maintained by OFAC or other restricted parties lists maintained by the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories and Australia. Further, we have undertaken not to use the [REDACTED] from the [REDACTED] to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of international sanctions laws by the United States, the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia.

We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Sanctioned Countries subject to International Sanctions or with Sanctioned Targets would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports (1) details of any new activities in Sanctioned Countries subject to International Sanctions or with Sanctioned Targets; (2) our efforts on monitoring our business exposure to sanctions risks; and (3) the status of, and the anticipated plans for any new activities in Sanctioned Countries subject to International Sanctions and with Sanctioned Targets.

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We intend to fully implement the following internal control and risk management measures.

- We will set up and maintain a separate bank account, which is designated for the purpose of the deposit and deployment of the [REDACTED] from the [REDACTED] or any other funds raised through the Stock Exchange;
- We plan to establish a Risk and Compliance Committee to further enhance our existing internal risk management functions, which is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our Risk and Compliance Committee will hold at least two meetings each year to monitor our exposure to sanctions risks;
- Our Directors will continuously monitor the use of [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Countries subject to International Sanctions or Sanctioned Targets where this would be in breach of International Sanctions;
- Our Risk and Compliance Committee will periodically review our internal control policies and procedures with respect to sanctions matters including periodic review of updates to International Sanctions and Sanctioned Targets that bear on our operations. As and when our Risk and Compliance Committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and
- If necessary, we will arrange external international legal counsel to provide training programs relating to the sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures where appropriate in respect of counterparties to our Group's business to ensure none of them are Sanctioned Targets. In consultation with our external international legal counsel, we will provide and regularly update the current list of Countries subject to International Sanctions and Sanctioned Targets to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally.

Our International Sanctions Legal Adviser has reviewed and evaluated these internal control measures and are of the view that these measures appear adequate and effective for our Company, based on our products and risk assessment, to comply with applicable international sanction laws and our undertakings to the Stock Exchange.

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Having taken into account the above advice of our International Sanctions Legal Adviser, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us. Subject to the full implementation and enforcement of such measures, the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective internal control framework to assist our Company in identifying and monitoring any material risk relating to sanction laws.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE AND INITIATIVES

Governance Structure

Sound corporate governance forms the foundation of our Group’s business and operations. We believe that establishing and implementing sound environmental, social and corporate governance (“ESG”) principles and practices will help enhance the investment value of an enterprise and provide long-term returns to our shareholders. Our Board has the overall responsibility of overseeing sustainability issues related to our Group’s operations and strategy. By setting a strategic direction, our Board sets a clear vision and strategy that guides the ESG measures or systems, reflecting our Group’s core values. Our Board will adopt the following approaches to identify, manage and review material ESG issues.

- *Identify ESG issues.* The Board will engage key stakeholders, including our major customers, major suppliers, management team and employees to identify material ESG issues and risks inherent in our Group’s business operations. Our Board believes that open dialogue with stakeholders plays a crucial role in maintaining our business sustainability.
- *Assess ESG performance.* Apart from assessing the performance of our Group’s ESG measures through discussion with our Group’s stakeholders, our Board will engage a third party to identify and assess our performance in respect of environmental protection and climate change.
- *Review ESG performance.* Our Board will review the progress made against ESG-related goals to guide our Group to achieve better ESG performance. Through our Group’s ESG policy, a set of systematic risk management practices have been put in place to ensure financial and operational functions, compliance control systems, material control, asset management and risk management all operate effectively.

To ensure a better implementation system in place, an ESG working group has been set up at the management level. Our ESG working group is currently composed of representatives from administration department, technical department and sales department. Our ESG working group is responsible for discussing our Group’s ESG issues and continuing to ensure that appropriate and effective ESG risk management is in place. It also assists current risk

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management, which is designed to meet our Group’s specific business needs and to minimize its risk exposure. Such working group meets quarterly and sets ESG goals at the beginning of each year and reviews its progress in achieving the goals using monthly data reports to check whether there are areas for improvement. Additionally, through analysing the situation of our Group, the working group will suggest new ideas and bring attention to issues, as well as offer solutions that can be applied in our Group.

Compliance with Laws and Regulations

We strictly abide by the Measures for Security Protection Administration of the International Networking of Computer Information Networks under the Order of the Ministry of Public Security of China. Under our internal policies, no entity and individual shall use our live streaming platform to produce, duplicate, search or disseminate the following information:

- information that instigates the resistance and disruption against the implementation of constitution, laws and regulations of China;
- information that instigates the subversion of the state political power and overthrow of the socialist system;
- information that instigates the splitting up of the country and sabotages national unity;
- information that instigates hatred and discrimination among nationalities and sabotages solidarity among nationalities;
- information that fabricates or distorts facts, spreads rumours and disrupts social order;
- information that propagates feudalistic superstitions, obscenity, pornography, gambling, violence, murder and terror and instigates crime;
- information that openly insults others or fabricates facts to slander others;
- information that damages the reputation of state organizations; and
- other information that violates constitution, laws and regulations of China.

Potential Climate Risks on Our Business Operation and Financial Results

A warming planet creates a wide range of risks for business, from disrupted supply chains to rising insurance costs to labor challenges. Since our Group’s business operations do not involve the manufacturing of products, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect to incur any material liabilities in this regard which could have any material adverse impact on our business and

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operating results. As advised by our PRC Legal Advisor, we are not required to obtain any approvals or certificates for the principal businesses we engaged in that are applicable to environmental laws and regulations in the PRC. Most of the potential physical risk and transition risk can only reflect on their users which may eventually impact our revenue.

Physical Risks

Extreme weather events as a short-term risk, such as typhoons, storm surges and rainstorms, will disrupt production, transportation and ultimately sales revenue. Our main operation is located in the downtown area of Beijing which may be vulnerable to snowstorms during extreme weather events. The devastating floods that have killed 71 people and affected more than 11 million in Zhengzhou, Henan Province last year sounded an alarm bell to us. Extreme weather not only can impact our normal operation but can also cost human life even in the metropolitan area.

In addition our own physical operational risk, our main revenue comes from User Generated Content (“UGC”) and Professional User Generate Content (“PUGC”). Extreme weather may hinder the production and delivery of some of the programs committed by the PUGC, which eventually impact our revenue.

How to mitigate physical risk

Our working teams operate in the downtown area of Beijing, the physical impact on our own operation due to climate change is limited. We are fully aware that unanticipated system failure due to extreme weather can result in chaotic mayhem. Lost data can impact ongoing collaborations with our users result in hampering our future. Three streamline broadcast service providers are engaged to ensure smooth operations no matter under what level of climate disaster. However, we also realize that climate change may impose a huge impact on some of our users that have the physical operation and performance in different locations. Diversification of our PUGC users may mitigate some of the physical risks.

Transition Risks

Transition risk refers to the medium- and long-term financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes, or a change in market sentiment. While we consider our operation to have limited exposure to transition risks due to climate change, many of our users, especially PUGC users, may face different transition risks from a legal, technology, market and reputation perspective, which may result in client loss and eventually have an adverse impact on our revenue.

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How to mitigate transition risks

While we conclude that our internal transition risk is limited due to our business nature, the related risk rippling from our PUGC users cannot be underestimated. Engagement and communication with our major PUGC users in the future on the topic of climate change will be an important process for our Group to mitigate transition risk. To prevent some of our users from inadvertently conveying the message of opposing climate change or anti-environment, we may need to communicate with major users on this topic to avoid their potential reputation risk.

Opportunities

While analyzing the climate risk that we are exposed to, our management concludes that better risk management can unlock even greater opportunities. Our platform could be enjoyed wherever the audience is located, whether they are on a cruise or in a small hut of a snow mountain. Extreme weather or pandemic may create unexpected opportunities and extra revenue for our business operation.

ENVIRONMENT, SOCIAL AND GOVERNANCE

ESG mission and vision

We advocate for a three-dimensional sustainable development of society, economy and environment, where environmentally friendly lifestyles are encouraged, employees’ developments are emphasised, and community investment and charity works are performed. Our continuous effort to promote sustainable development and raise awareness of such acts has made us a leader in ESG performance in the industry.

We are committed to ensuring the following principles:

- empowering employees and unleashing their fullest potential;
- providing equal opportunities for all potential candidates irrespective of their gender, marital status, race, ethnicity, age, and religion;
- making sure employees feel comfortable and safe, and are able to work in an accident-free working environment;
- equipping employees with know-how of the industry, to increase their competency and enhance professionalism; and
- protecting personal data and making sure they are kept confidential.

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Measures to reduce our environmental footprint

Due to our business nature, the environmental impact induced by our operations is limited. Nonetheless, we abide by all environmental laws and regulations when applicable and take steps to minimize our environmental footprint. We actively encourage our staff to take part in building a green working environment and be responsible for their impacts on the environment, by following the main principles of reducing, reusing and recycling. To make constant improvements, we constantly review our waste and emissions management measures.

Concern about Our Scope 3 Emissions from Our Cloud Storage

We utilize a considerable amount of third-party cloud storage and third-party bandwidth to operate our business. Energy consumption becomes a major component of the environmental footprint of a data center. As emissions from suppliers are counted as scope 3 emissions in ESG disclosures, which tends to be reported voluntarily to avoid double counting, our impact on global warming can be heavily underestimated.

To mitigate our impact through third-party cloud service providers, the following actions have been taken:

- Actively research the carbon footprint of our providers. Some major cloud service providers like Google have committed to going carbon neutral by 2030. Major mainland providers like Kingsoft have established a high-efficiency, low-carbon storage pool. When screening service providers in the future, low carbon will be our top priority criteria;
- Cloud Carbon Footprint apps have appeared in the market recently. We are going to source a reliable one to try to calculate the footprint of our service providers in the future; and
- Ongoing rearchitecting of our application to be cloud-native whenever possible will produce a smaller carbon footprint.

Significant Impacts of Activities on the Environment

Due to our business nature, no activities contribute to significant impacts on the environment. The only areas that bring about impacts on the environment are our greenhouse gas emissions and office waste produced from daily operations. We therefore take responsibility for recycling and reusing items of different varieties and cooperate with reliable recyclers to make sure that waste is well managed and handled to limit the impact on the environment. We also encourage our employees to take an active responsibility towards the environment, by adhering to the principles of reduce, reuse, recycle and recover.

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Content Screening and Review

We require our users and hosts to abide by our terms of service, which prohibit illegal content from being created, shared and transmitted on our platform. Our community guidelines set forth the prohibited content and actions in details, such as provocative or inflammatory languages, full or partial nudity, sexually suggestive language or body movements, abusive language or actions towards other users, spam, scams, acts and threats of violence and information facilitating or promoting illegal transactions or activities. We have implemented various measures to ensure the compliance of relevant rules and regulations, including utilizing an automated AI-backed user protection system and maintaining a manual review team, a report portal for users to report violations, and establishing different benchmarks for evaluating potential violations and our community guidelines. We have also established different benchmarks to evaluate potential violations of our terms of services and community guideline. We will determine the imposition of sanctions and require rectification measures based on the nature and frequency of violations. See “— Content Screening and Review — Content Compliance Policies.”

We will promptly suspend the relevant streaming session and/or freeze or terminate a host’s account if we confirm there is any violation of our community guidelines or applicable rules and regulations. Our internal control measures over content review involve (1) suspension and/or termination of cooperation with hosts that engaged in illegal activities or repeatedly violate our community guidelines, (2) timely report to the relevant regulatory authorities for any suspected violation of laws and regulations, and (3) report to the China Association of Performing Arts of any host that has engaged in illegal activities on our platform so that such host can be listed on the warning lists. We also regularly check the warning list published by the China Association of Performing Arts, and would prevent individuals on the warning lists from being able to register as a host on our platform. See “— Risk Management and Internal Control — Content and Hosts on Our Platform.”

Equal Opportunity

Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Under our internal policies, the employees shall not be discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws and regulations. We value cultural diversity at workplace, and recruit employees in a wide range of ages, genders and ethnicities. We comply with all relevant laws and regulations of China including:

- Labour Law
- Labour Contract Law
- Regulations on Paid Annual Leave for Employees

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- Law on the Protection of Women's Rights and Interests
- Special Rules on the Labour Protection of Female Employees

Development and Training

We acknowledge the importance of providing opportunities for training and development. It is not only essential to the career development of our employees but also ensures and improves the quality of our services. Our training programs are customized to our business needs, equipping our employees with practical knowledge and skills.

Compensation and benefits

For our employees, remuneration packages, which include salary and bonuses, are offered. They also receive various welfare benefits, such as medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We provide our employees with paid time off, including public holidays, marital leaves, maternity leaves, compassionate leaves and annual leaves according to labour laws and regulations. Appraisals take place twice a year such that their work performances are constantly reviewed. Employees who meet certain criteria will have their salary raised.

Our ESG Policy

We are committed to working on the environmental, health and safety, employment, supply chain and community issues that our operations affect, and to working with our stakeholders to promote sustainable development in the industry in which we operate. We undertake all reasonable efforts to ensure compliance with all applicable national and local safety, health, labor and environmental obligations.

We are dedicated to providing a green office environment and promoting environmentally friendly practices in our office operations. Common practices of our green office codes include the following:

- promote recycling scheme, seek alternative ways of disposing of and reducing waste in environment ways;
- re-use materials whenever possible;
- utilizing natural resources and energy efficiently;
- consider environmental friendliness and energy efficiency of any item to be purchased;
- strictly comply with and fully implement all relevant environmental laws and regulations;

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- address environmental concerns and incorporate environmental initiatives into marketing planning and design for all clients; and
- review and seek continual improvement on the implementation of environmental management.

Our social policies include the following:

- equal opportunity applies to all aspects of employment, including gender, race, nationality, marital status, disability, religious belief, sexual orientation or any other characteristic protected under the law;
- encourage our employees to constantly improve their skills and abilities and develop competencies through the taking up of both internal and external training programmes. Training needs for improvement on existing skills will be regularly identified through performance appraisals;
- promotional and job opportunities are offered to existing employees and suitable candidates, and selection is based on assessment of work performance of all individuals on merit, qualifications and abilities, and suitability for the position;
- protects and respects intellectual property including all the programs broadcast on our platform;
- all employees are prohibited from offering or providing corrupt payments and other advantages to or accepting the same from private persons and entities; and
- all employees are prohibited from giving, promising, offering, or authorizing payment of anything of value to any government official to obtain or retain business, to secure some other improper advantage, or to improperly influence a government official’s actions.

Environment Performance and Metrics

In 2021, our offices in Beijing with a total of 708 employees used 409,508.6 kilowatt-hour of electricity, which accounted for 250 tons of carbon equivalent emission. The emission intensity of our use of electricity was 54.3 kilograms of carbon equivalent per RMB1.0 million in revenue.

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Targets

Strategies	Approaches	Targets for the next five years
Carbon emission reduction	Reduce carbon emission by improving energy efficiency in our operation	Reduce the intensity of carbon emission by 5% of our current discharge (250 tons of carbon equivalent emission in 2021)
Carbon neutral	In pursuit of our social responsibility and in line with the national target to go carbon neutral by 2060, we aim to approach carbon-neutral by 2050	

Plans and Measures to Achieve the Target Reduction

Our plan of reduction:

- Establishing policy for energy saving and assigning supporting team and security team to turn off lights according to set schedule, and to check if all computers in the offices were turned off or with pre-approved exemption labels. Computers found turning on without exemption labels are recorded, and IT Department will follow up with representative employees and might be handled by our management if the issue persists;
- Replacing energy-intensive lighting such as high bay light, and fluorescent lamps with high luminous efficacy light set such as LED lights at printing plants;
- Pre-setting computer to switch to energy-saving mode after 30 minutes of idle;
- Installing thermostat for all air conditioning for smarter control of room temperature and better efficient use of energy in all premises wherever possible; and
- Reminding employees of energy-saving labels for turning off lights and air conditioners before leaving work. These labels are provided in major corridors and rooms throughout the offices.

With the above measure, we predict that we could achieve a more than 5% emissions reduction in the coming five years.

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Following the commitment to a carbon-peak in 2030 and carbon-neutral in 2060 by the PRC government, we foresee that offices in Beijing’s downtown area will have the choice to purchase fully renewable energy at a higher price latest by 2030 to 2040. We will undoubtedly be ahead of the commitment of the PRC government to purchase 100% renewable energy when available to achieve carbon-neutral before 2050.

Recent Regulatory Development

Cybersecurity review and data security

On August 20, 2021, the SCNPC promulgated the PIPL, which became effective on November 1, 2021, setting forth detailed rules for handling sensitive personal information. Furthermore, the Ninth Amendment to the Criminal Law of the PRC prohibits the sale or otherwise illegal disclosure of a citizen’s personal information, and if such information is obtained during the course of performing duties or providing services, additional penalties could be imposed. Critical information infrastructure operators and personal information processors who have processed personal information that surpassed the threshold prescribed by the CAC must store the personal information collected or generated within China. Critical information infrastructure operators and personal information processors who have processed personal information that surpassed the threshold prescribed by the CAC must obtain approval from the CAC if personal information collected or generated within China is to be transferred overseas. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any regulatory investigation or penalty in connection with protection of personal information.

On November 14, 2021, the CAC publicly solicited opinions on the Draft Data Security Regulations. According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (1) the merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (2) data processors that handle the personal information of more than one million people intends to be listed abroad; (3) the data processor intends to be listed in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for what activities fall into the ambit of those that “affect or may affect national security.” As advised by our PRC Data Compliance Advisor, the PRC government authorities may have wide discretion in the interpretation of “affects or may affect national security.”

As advised by our PRC Data Compliance Advisor, the Draft Data Security Regulations regulates specific requirements in respect of the data processing activities through internet, among others, with the cybersecurity review to be applied when data processor intends to be listed in Hong Kong, which affects or may affect national security. We possess personal data of more than one million users as a result of our large user base and the amount of activities processed on our platform. We believe that we have not engaged in any data processing activity which affects or may affect national security, because during the Track Record Period and up

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to the Latest Practicable Date: (1) we had not been identified as a CIIO; (2) we had not received notification from any regulatory authority, informing us that the data processed by us had been recognized as important data or core data; (3) our proposed [REDACTED] in Hong Kong is not considered as an listing in a foreign country, based on the oral response to our telephonic inquiry on a named basis from the consultation conducted by our PRC Data Compliance Advisor on March 17, 2022 with the CCRC; and (4) we had not been notified by any regulatory authority or was subject to any investigation on any data processing activity that affects or may affect national security. We have implemented comprehensive measures to comply with the requirements of personal information protection, data security and cybersecurity under relevant laws and regulations, and we will actively implement measures to comply with the specific requirements in the Draft Data Security Regulations as if the Draft Data Security Regulations is implemented in its current form in the future. For provisions regarding [REDACTED] in Hong Kong in the Draft Data Security Regulations, we are of the view that, assuming the Draft Data Security Regulations become effective in their current form in the future, subject to further implementation details, guidance or clarification of the Draft Data Security Regulations, it will not have a material adverse effect on us as of the date of this document, on the basis that (1) we have implemented relevant measures to protect our data security, and (2) we are actively communicating with relevant authorities to seek guidance under the Draft Data Security Regulations.

Based on the foregoing, except for the noncompliance otherwise disclosed in the section headed “Business—Data Security and Privacy,” we were not subject to review, inquiry or investigation by any relevant authorities in relation to cybersecurity or data protection in the Track Record Period and up to the Latest Practicable Date. In addition, with the support of our PRC Data Compliance Adviser’s opinion, we are of the view that the cybersecurity review stipulated in the Cybersecurity Review Measures and under the Draft Data Security Regulations, if all come into effect in the current version, will not have a material adverse effect on us, with the following bases:

- On the basis that we have not been identified as a CIIO during the Track Record Period and up to the date of this document, the cybersecurity review for “procurement of network products and services by CIIOs” promulgated in the Cybersecurity Review Measures shall not be applicable to us.
- Based on the oral response to our telephonic inquiry on a named basis from the consultation conducted by our PRC Data Compliance Advisor on March 17, 2022 with the official consultation hotline with CCRC, Hong Kong is a part of the People’s Republic of China and therefore does not belong to “foreign country” under the Cybersecurity Review Measures, it is not necessary for us to voluntarily apply for cybersecurity review according to Article 7 of the Cybersecurity Review Measures. As announced by the CAC, the CCRC is entrusted by the Cybersecurity Review Office and under its guidance, to undertake specific work of the cybersecurity review such as receipt of materials and formal review of such materials and setup a hotline for the consultation regarding cybersecurity review.

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- As for the cybersecurity review initiated by the Office of Cybersecurity Review stipulated in the Article 16 of the Cybersecurity Review Measures, we confirmed that we have not been subject to or have been notified of a cybersecurity review during the Track Record Period and up to the date of this document. The CCRC replied during the abovementioned consultation that the fact of any entity not being subject to any cybersecurity review means such entity’s internet service of product or its data processing activities are not considered as “affect or may affect national security” according to the Article 16 of the Cybersecurity Review Measures. Furthermore, the CCRC also replied that the Draft Data Security Regulations had not yet come into effect as of the date of the consultation.
- Our PRC Data Compliance Advisor conducted the consultation on a named basis, and the CCRC was informed of our [REDACTED] plan. Up to the date of this document, we have not received any objection from relevant authorities.

On December 28, 2021, the CAC and other regulatory authorities jointly released the revised Cybersecurity Review Measures which became effective on February 15, 2022. In accordance with the Cybersecurity Review Measures, internet platform operators holding personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when they seek listing in a foreign country.

As advised by our PRC Data Compliance Advisor, as the Cybersecurity Review Measures stipulates “seeking a listing in a foreign country,” we do not need to proactively file for the cybersecurity review because our proposed [REDACTED] is in Hong Kong. However, the Cybersecurity Review Measures provides no further explanation or interpretation for what activities “affect or may affect national security.” With respect to the CIIO stipulated in the Cybersecurity Review Measures, according to the CII Regulations, which came into effect on September 1, 2021, the Protection Authorities in the CII Regulations will establish the rules for the identification of critical information infrastructures based on the particular situations of the industry and report such rules to the public security department of the State Council for record, and they are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council. During the Track Record Period and up to the Latest Practicable Date, no relevant authority had published any detailed rules for identification of the critical information infrastructures, and to our best knowledge, we had not received any notification from the Protection Authorities about being identified as a CIIO. Therefore, on the basis that we have not been identified as a CIIO, the likelihood that we will be subject to the cybersecurity review for procurement of network products and services in the near future is relatively remote. For “data processing activities that affect or may affect national security” mentioned in the Cybersecurity Review Measures, since the criteria are relatively vague, our PRC Data Compliance Advisor and our Directors are of the view that, it remains uncertain as whether we would be subject to the cybersecurity review. During the Track Record Period and up to the date of this document, we had not received any written concern about our [REDACTED].

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On December 31, 2021, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly announced the Provisions on Algorithmic Recommendations, which became effective on March 1, 2022. Provisions on Algorithmic Recommendations specifies that it applies to the application of algorithmic recommendation technologies to provide Algorithmic Recommendation Services within the territory of China. According to the Provisions on Algorithmic Recommendations, Algorithmic Recommendation Services providers shall comply with certain standards of information services and ensure the protection of users’ rights and interests. For example, the providers of Algorithmic Recommendation Services shall inform users of the circumstances of the Algorithmic Recommendation Services in a prominent manner, provide users with options not to target their individual characteristics, or provide users with convenient options to close Algorithmic Recommendation Services. Our operations shall comply with such provisions. If we fail to fulfill our responsibilities and obligations under such provisions, we may be subject to penalties such as warning, public reprimand, orders to make corrections within a time limit, suspension of information updating, fines and other penalties. As of the date of this document, we have submitted the internet information services algorithm registration filing as required under Article 24 of the Provisions on Algorithmic Recommendations to the CAC, and *Huajiao* has been registered with the CAC on October 28, 2022, but we have not been notified of the result of such registration for *6.cn* during the Track Record Period and up to the date of this document. We have also implemented internal procedures such as content publishing review, user registration, data security and personal information protection and other procedures required by the Provisions on Algorithmic Recommendations. Furthermore, we have disclosed relevant rules of algorithm recommendation service to our users, provided options to turn off the algorithm recommendation service and formulated an emergency plan for security incidents. Our PRC Data Compliance Advisor is of the view that we have complied with all material aspects of the Provisions on Algorithmic Recommendations as of date of this document.

All of our overseas social networking products are operated by our offshore subsidiaries, and data collected and generated by these products are stored in Tokyo, Japan and Oregon, the United States. None of our overseas social networking products provide services to users in the PRC, nor can they be downloaded in the PRC. All of our live streaming products are operated by our PRC subsidiaries and all the data collected and generated by such products are stored in mainland of the PRC. There is no data sharing between our offshore subsidiaries and PRC subsidiaries. According to Article 3 of Measures for Outbound Data Transfers, such measures apply to the cross-border transfer of critical data and personal information collected and generated by a data processor in its operations within the PRC. In particular, based on our Data Compliance Advisor’s consultation with the Beijing branch of the CAC on behalf of us, “the cross-border transfer” means a transfer from mainland of the PRC to offshore. Based on the foregoing, our PRC Data Compliance Advisor is of the view that the likelihood that these measures apply to our overseas social networking products and live streaming products is remote. Therefore, we believe that Measures for Outbound Data Transfers would not cause adverse impacts on our business operations.

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Overseas listing

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the July Opinion, which called for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-listed China-based companies. During the Track Record Period and up to the Latest Practicable Date, we had not received any inquiry, notice, warning, or sanctions from the CSRC or any other PRC government authorities with respect to the [REDACTED].

On December 24, 2021, the CSRC promulgated the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing 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)) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing 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)》) (collectively the “New Consultation Drafts”) for public consultations until January 23, 2022. Pursuant to the New Consultation Drafts, domestic enterprises that directly or indirectly list overseas shall go through the filing procedures with the CSRC. Furthermore, if the issuer meets the following conditions, the offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (1) the total assets, net assets, revenues or profits of the domestic operating entity of the issuer in the most recent accounting year account for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; and (2) the senior managers in charge of business operation and management of the issuer are mostly Chinese citizens or have domicile in China, and its main places of business are located in China or main business activities are conducted in China. Therefore, we understand that the [REDACTED] of our Group constitutes an indirect [REDACTED] under the New Consultation Drafts.

As advised by our PRC Legal Advisor, the New Consultation Drafts have not yet taken effect. According to the CSRC, for a new enterprise which intends to list securities in an overseas market, the filing procedures shall be performed as required; other existing enterprises will be arranged separately and a sufficient transition period will be given. However, the New Consultation Drafts and the CSRC do not further explain the criteria for dividing new enterprises and existing enterprises. Under the circumstance that the existing enterprises only include enterprises listed before the issuance of the New Consultation Drafts or before the New Consultation Drafts come into effect, once the New Consultation Drafts come into effect and the [REDACTED] is not completed, we will not fall within the scope of existing enterprise and we will need to complete the filing procedures of the CSRC.

Furthermore, according to the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), if an enterprise falls under any of the following circumstances, it will not be allowed to list overseas: (1) the PRC laws and regulations and relevant provisions expressly prohibit such listing; (2) the relevant competent authorities of the State Council determined that the overseas listing threaten or endanger national security; (3) material ownership disputes over equity, major assets or core technologies of the enterprise; (4) there are enterprises and controlling

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shareholders, actual controllers have committed crimes of corruption, bribery, embezzlement, misappropriation of property or disrupting the order of the socialist market economy in the past three years, or are being investigated by judicial authorities for suspected crimes or suspected major violations of laws and regulations; (5) directors, supervisors and senior managers of the enterprise have been subject to administrative penalties in the past three years and the circumstances are serious, or are being investigated by judicial authorities for suspected crimes or suspected major violations of laws and regulations; and (6) other circumstance as prescribed by the State Council. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any situations that falls into the above regulations.

According to the CSRC, under the PRC laws and regulations, VIE-structure enterprises that meet the compliance requirements can be listed overseas. The New Consultation Drafts and the CSRC do not further clarify the compliance requirements for the listing of VIE-structure enterprises. In respect of the compliance status of our Contractual Arrangements and VIE-structure, our PRC Legal Advisor and the PRC Legal Advisor of the Joint Sponsors conducted the consultations with the MCT on June 24, 2021, the BMRTB on July 12, 2021 and the MIIT on July 13, 2021, and as confirmed by the relevant PRC regulatory authorities, our Contractual Arrangements and VIE-structure would not require their approvals. Based on these consultations, our PRC Legal Advisor is of the view that the adoption of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations. However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and implementation of the New Consultation Drafts and future PRC laws and regulations over the validity of the Contractual Arrangements and VIE-structure. For more details, see “Risk Factors — Risk Related to Doing Business in China — The approval of or filing procedure with the CSRC may be required in connection with the [REDACTED], and, if required, we cannot predict whether we will be able to obtain such approval.”

As the New Consultation Drafts were recently published and have not taken effect, the interpretation and implementation may be subject to further clarification, we are still in the process of evaluating the impact of the New Consultation Drafts on our business and our [REDACTED], and we will actively implement measures to comply with the requirements in the New Consultation Drafts as if they become effective in their current form in the future. During the Track Record Period and up to the Latest Practicable Date, we had not received any written notification from CSRC or other relevant authorities concerning our [REDACTED].

Based on the above, our PRC Legal Advisor is of the view that (1) our VIE structure does not violate any existing PRC laws and regulations including relevant national security laws or otherwise constitute a legal obstacle to our proposed [REDACTED]; (2) there are no material impediments to comply with the New Consultation Drafts if they become effective in current form; and (3) the proposed [REDACTED] is not subject to filing or approval from CSRC as of the Latest Practicable Date.

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Based on the PRC Legal Advisor’s opinion and the foregoing, our Directors believe the New Consultation Drafts will not impact our business operations, financial performance, the Contractual Arrangements or our proposed [REDACTED] in Hong Kong and do not foresee any impediment for us to comply with the New Consultation Drafts in any material respects, assuming the New Consultation Drafts will be implemented in its current form, except as disclosed in this document.

Foreign investment negative list

On December 27, 2021, the NDRC and MOFCOM jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “2021 Negative List”). According to the 2021 Negative List, to list overseas, any domestic enterprise engaging in the fields prohibited by the 2021 Negative List shall obtain the consent of the relevant competent authorities of the State, and the overseas investors shall not participate in the operation and management of the enterprise, and overseas investors’ shareholding percentage shall be subject to the relevant provisions on administration of domestic securities investment by overseas investors.

The NDRC held a press conference on January 18, 2022, and further clarified that the requirement of obtaining the consent of the relevant competent authorities only applies to the domestic enterprises that directly list overseas. Based on that, our Directors and our PRC Legal Advisor is of the view that as our Group constitutes an indirect [REDACTED] under the New Consultation Drafts, the [REDACTED] will not require the consent from the authorities under the 2021 Negative List.

Based on the foregoing and having discussed with the management of the Company and its PRC Legal Advisor on the aforementioned changes in laws and recent regulatory developments, nothing has come to the attention of the Joint Sponsors what would cause them to cast doubt on reasonableness of the views and consultations of the Directors and its PRC Legal Advisor in “— Recent Regulatory Development — Overseas listing” and “— Foreign investment negative list” as aforementioned.

Live streaming business

On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Guideline, which became effective on the same day, aiming to enhance anti-monopoly oversight of businesses that operate under the platform model and the overall platform business. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties in connection with the application and/or enforcement of the Guideline.

On November 12, 2020, the NRTA promulgated Notice 78, which sets forth registration requirements for platforms providing online show live streaming or e-commerce live streaming as well as, among others, requirements for real-name registration, limits on user spending on virtual gifting, prohibitions of virtual gifting by minors, live streaming review personnel

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requirements, and content tagging requirements. According to Notice 3 issued on February 9, 2021, live streaming platforms that provide network audio-visual program services must hold the Audio-Visual Permit (or complete the registration in the National Network Audio-Visual Platform Information Registration Management System) and complete the ICP filing. As of the Latest Practicable Date, Huafang Technology held an Audio-Visual Permit, and Mijing Hefeng was in the process of renewing its filing with the National Network Audio-Visual Platform Information Registration Management System. We are still in the process of obtaining further guidance from regulatory authorities and evaluating the applicability and effect of the various requirements under Notice 78 on our business. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any review, inquiry or investigation by the relevant authorities for violation of Notice 78. See “Risk Factors — Risks Related to our Business — We face uncertainties with respect to the enactment, interpretation and implementation of Notice 78.”

On June 1, 2021, the Law of the PRC on the Protection of Minors (2020 Revision) took effect, which provides that, among others, live streaming service providers are not allowed to provide online live streaming publisher account registration service to minors under 16 of age with, and must obtain the consent from parents or guardians and verify the identity of the minors before allowing minors aged 16 or above to register online live streaming publisher accounts on live streaming platform. We have collected identity information of each PRC host on our platform, including name, age and identification number to prevent minors from providing live streaming services on our platform in accordance with relevant PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties in connection with violating laws related to protection of minors.

The CAC launched a “Fan Group Chaos Rectification” special action on June 15, 2021, which was followed by the issuance of the Notice on Further Strengthening the Management of Chaos in Fan Groups on August 25, 2021. This notice requested, among other things, the cancelation of all rankings of celebrities. The rankings of music, film and television works are still allowed, but the network platforms should optimize and adjust ranking rules to focus on the art works and their professional evaluation. Furthermore, minors are not allowed to make virtual gifting or spend money to support celebrities, or act as the organizer or manager of a fan group. We have also been closely monitoring the content streamed on our platform and would suspend the account of any host that engages in material violation of applicable laws and regulations.

On April 12, 2022, the NRTA issued the Notice on Strengthening the Management of Live Streaming of Games on the Online Audio-Visual Program Platform (《關於加強網絡視聽節目平台遊戲直播管理的通知》) (the “April 12 Notice”), which mainly regulates live streaming related to online games. For more information on April 12 Notice, see “Regulations — Regulations Relating to Online Live Streaming Services.” According to the April 12 Notice, live streaming platforms are strictly prohibited from disseminating or streaming online games that have not been approved by the competent authorities, and shall, among others, strengthen the management of gaming streamers. We had not organized or held gaming live streaming programs or competitions on our platform during the Track Record Period and up to the Latest Practicable Date.

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On May 7, 2022, the Office of Central Guidance Commission on Building Spiritual Civilization, the MCT, NRTA and the CAC promulgated the Opinions on Regulating Virtual Gifting to Strengthen the Protection of Minors (《關於規範網絡直播打賞加強未成年人保護的意見》) (the “May 7 Opinions”). According to the May 7 Opinions, live streaming platforms shall, among others (1) prohibit minors from virtual gifting, and implement the requirements on real-name registration; (2) not provide online live streaming publisher account registration service to minors under the age of 16 and obtain the consent from guardians before allowing minors between the age of 16 and 18 to register online live streaming publisher accounts on their platforms; (3) continue to upgrade their youth mode and establish a customer service team for minors to process, and prioritize the settlement of complaints and disputes related to minors; (4) manage key functions of their applications so that virtual gifting amount is not the sole criteria for ranking; and (5) shall discontinue all services under youth mode after 10:00 PM every day. We have implemented a series of measures to ensure compliance with the May 7 Opinions and other minor protection related rules and regulations. See “Business — Risk Management and Internal Control — Minor Protection and Virtual Gifting Management.”

On June 8, 2022, the NRTA and the MCT issued the Code of Conduct for Streamers (《網絡主播行為規範》) (the “Code of Conduct”) which stipulates, among others, that: (1) for live streaming content that requires a high level of professional skills (such as medical and health care, finance, law and education), streamers should obtain the corresponding practice qualifications and report the practice qualifications to the live streaming platforms, and the live streaming platforms should review and record the relevant qualifications; (2) during live streaming sessions, streamers shall not behave extravagantly or waste food, flaunt luxury goods, jewelry and other assets, or display sexually suggestive and provocative content; (3) live streaming platforms shall establish comprehensive internal policies to manage their streamers, covering various aspects of operations, from recruitment, training, daily management, performance evaluation to violation record management, and shall provide incentives to streamers who display positive qualities and abide by the Code of Conduct, and reprimand and discipline hosts who have violated the Code of Conduct, and ban the account of streamers who have repeatedly violated the Code of Conduct or applicable rules and regulations.

During the Track Record Period, we had certain non-compliance incidents with respect to administrative penalties relating to certain content on our platform. Our PRC Legal Advisor is of the view that, save as disclosed in the sections headed “Business — Content Screening and Review” and “Business — Risk Management and Internal Control,” we had not been in violation of any other applicable laws, which may have material adverse effect on us, during the Track Record Period and up to the Latest Practicable Date, including the recent regulations relating to live streaming business and protection of minors in China. Based on the foregoing, as advised by our PRC Legal Advisor, we are of the view that the above recent changes in PRC laws and regulations have not had and will not have any material effect on our compliance with laws and regulations in any material aspects except as disclosed in this document.