# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 20-F

**(Mark One)**

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

**OR**

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2022.**

**OR**

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

**For the transition period from _____ to _____**

**OR**

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

**Date of event requiring this shell company report _____**

**For the transition period from _____ to _____**

**Commission file number: 001-36427**

# Cheetah Mobile Inc.

**(Exact name of Registrant as specified in its charter)**

**N/A**

**(Translation of Registrant's name into English)**

**Cayman Islands**

**(Jurisdiction of incorporation or organization)**

**Building No. 11**
**Wandong Science and Technology Cultural Innovation Park**
**No.7 Sanjianfangnanli**
**Chaoyang District**
**Beijing 100024**
**People's Republic of China**

**(Address of principal executive offices)**

**Thomas Jintao Ren**
**Chief Financial Officer**
**Cheetah Mobile Inc.**
**Building No. 11**
**Wandong Science and Technology Cultural Innovation Park**
**No.7 Sanjianfangnanli**
**Chaoyang District**
**Beijing 100024**
**People's Republic of China**
**Tel: +86-10-6292-7779**
**Email: IR@cmcm.com**

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **American depositary shares, each representing fifty Class A ordinary shares** | **CMCM** | **The New York Stock Exchange** |
| **Class A ordinary shares, par value US$0.000025 per share*** | | |

* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares, each representing fifty Class A ordinary shares.

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

**NONE**

**(Title of Class)**

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

**NONE**
**(Title of Class)**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 479,458,004 Class A ordinary shares and 970,015,685 Class B ordinary shares, par value US$0.000025 per share, as of December 31, 2022.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes ☒ No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

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

| Large accelerated filer ☐ | Accelerated filer ☐ | Non-accelerated filer ☒ |
|---|---|---|
| | | Emerging growth company ☐ |

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

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

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

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

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

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

| US GAAP ☒ | International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ | Other ☐ |
|---|---|---|

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No

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## INTRODUCTION

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

- "we," "us," "our company," or "our" refers to Cheetah Mobile Inc., its subsidiaries and, in the context of describing our operations and consolidated financial information, the consolidated variable interest entities and their subsidiaries in China, including but not limited to Beijing Mobile, Beijing Network and Beijing Conew. References to the consolidated variable interest entities may include their subsidiaries, depending on the context as appropriate;
- "ADSs" refers to American depositary shares, each of which represents fifty of our Class A ordinary shares;
- "China" or the "PRC" refers to the People's Republic of China, excluding, for the purposes of this annual report, Hong Kong, Macau and Taiwan;
- "Ordinary shares," prior to the completion of our initial public offering in May 2014, refers to our ordinary shares, par value US$0.000025 per share and, upon the completion of the offering, to our Class A and Class B ordinary shares, par value US$0.000025 per share;
- "RMB" or "Renminbi" refers to the legal currency of China;
- "US$," "U.S. dollars," "$," or "dollars" refers to the legal currency of the United States; "€," "Euro dollars" or "Euro" refers to the legal currency of the eurozone;
- "¥," "Japanese Yen" or "JPY" refers to the legal currency of Japan;
- "Kingsoft Corporation Limited" or "Kingsoft Corporation" refers to Kingsoft Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3888);
- "Hong Kong Listing Rules" refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
- "Overseas revenues" or "revenues from overseas markets" refers to revenues generated by our operating legal entities incorporated outside China. Such revenues are primarily attributable to customers located outside China, based on our customers' registered addresses; and
- "Variable interest entities" or "VIEs" refers to those entities incorporated in PRC consolidated in our financial statements and over which our subsidiaries exercise effective control through a series of contractual arrangements.

Due to rounding, numbers presented throughout this annual report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

We present our financial results in RMB. This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of RMB into U.S. dollars in this annual report is based on the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB6.8972 to US$1.00, the exchange rate on December 30, 2022 set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. We make no representation that any RMB or U.S. dollar amount could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all.

Effective September 2, 2022, we effected a change of the ratio of the ADS to our Class A ordinary shares from one ADS representing ten Class A ordinary share to one ADS representing fifty Class A ordinary shares. Currently, each ADS represents fifty Class A ordinary shares. The change in the ratio of the ADS to our Class A ordinary shares had no impact on our underlying Class A ordinary shares, and no Class A ordinary shares were issued or cancelled in connection with the change in the ratio of the ADS to our Class A ordinary shares. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the changes in ratio for all periods presented.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward- looking statements by words or phrases such as "may," "could," "should," "would," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "likely to," "project," "continue," "potential," or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our business strategies, plans and priorities, including growth strategies as well as investment and acquisition plans in China and overseas;
- our ability to retain and attract users, customers and business partners, and increase their spending or level of engagement with us;
- our ability to expand and improve our product and service offerings;
- our ability to monetize the user traffic on our platform;
- our future business development, results of operations and financial condition, including the seasonal trends of our results of operations;
- expectations regarding our user growth rate and user engagement;
- expected changes in our revenues and cost or expense items;
- competition and changes in landscape in our industry;
- relevant PRC and foreign government policies and regulations relating to our industry;
- general economic and business condition globally and in China; and
- assumptions underlying or related to any of the foregoing.

You should not place undue reliance on these forward-looking statements and you should read these statements in conjunction with other sections of this annual report, in particular the risk factors disclosed in "Item 3. Key Information—D. Risk Factors." These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Moreover, we operate in a rapidly evolving environment. New risks emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in any forward-looking statement. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

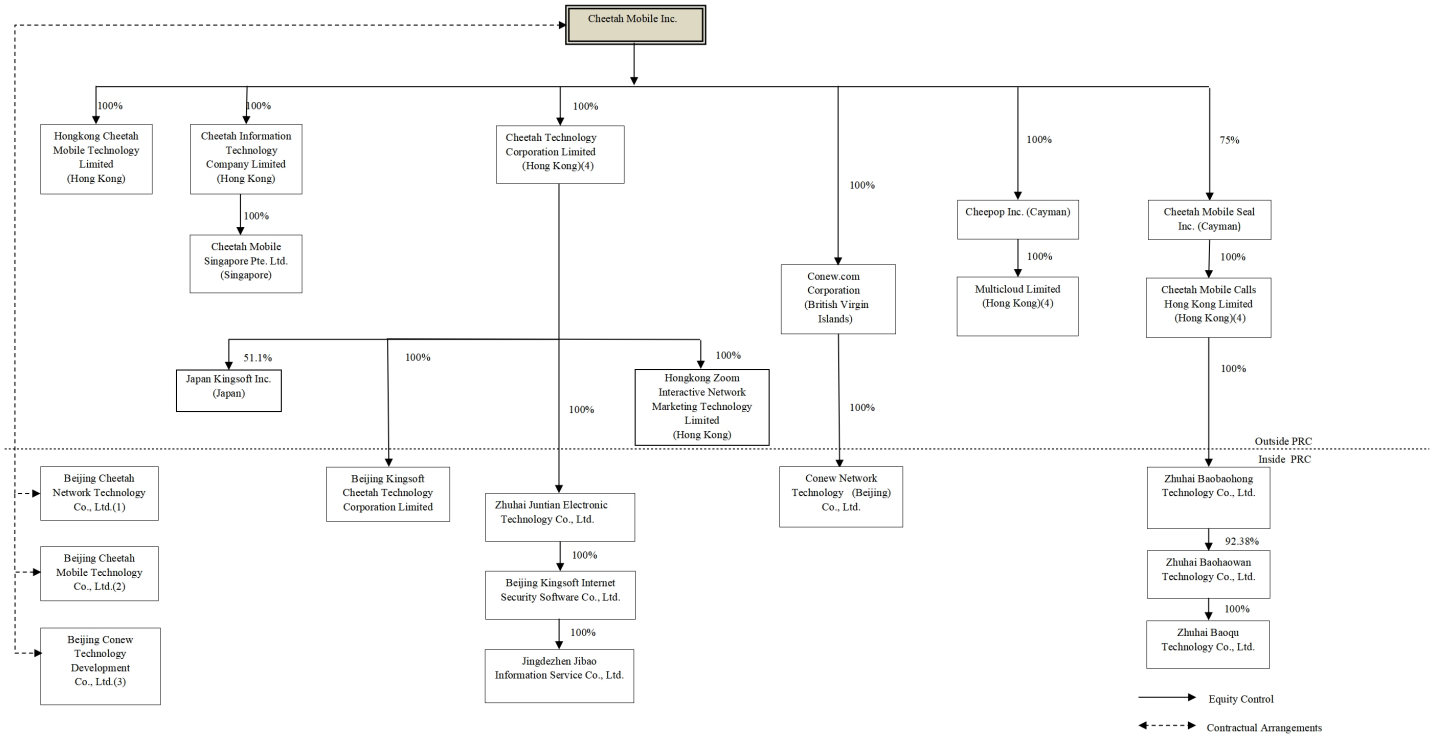
Not applicable.

### Item 3. Key Information

**Our Holding Company Structure and Contractual Arrangements with the Consolidated Variable Interest Entities**

Cheetah Mobile Inc. is not a Chinese operating company but a Cayman Islands holding company with no equity ownership in its consolidated variable interest entities. We conduct our operations in China through (i) our PRC subsidiaries and (ii) the consolidated variable interest entities and their subsidiaries with which we have maintained contractual arrangements. PRC laws and regulations restrict and impose conditions on foreign investment in the internet industry, including the mobile internet industry. Accordingly, we operate part of our business in China through the consolidated variable interest entities, and rely on contractual arrangements among our PRC subsidiaries, the consolidated variable interest entities and their shareholders to control the business operations of the consolidated variable interest entities. External revenues contributed by the consolidated variable interest entities accounted for 36.6%, 33.1% and 31.8% of our total revenues for the years of 2020, 2021 and 2022, respectively. As used in this annual report, "we," "us," "our company," or "our" refers to Cheetah Mobile Inc., its subsidiaries and, in the context of describing our operations and consolidated financial information, the consolidated variable interest entities and their subsidiaries in China, including but not limited to Beijing Mobile, Beijing Network and Beijing Conew. References to the consolidated variable interest entities may include their subsidiaries, depending on the context as appropriate.

The following diagram summarizes our corporate structure and identifies our significant subsidiaries and VIEs as of the date of this annual report.




Notes:

(1) We consolidate Beijing Network through contractual arrangements with Beijing Network and Mr. Kun Wang and Mr. Wei Liu, who owns 50% and 50% equity interests in Beijing Network, respectively.

(2) We consolidate Beijing Mobile through contractual arrangements with Beijing Mobile and Mr. Sheng Fu and Ms. Weiqin Qiu, who owns 35% and 65% equity interests in Beijing Mobile, respectively.

(3) We consolidate Beijing Conew through contractual arrangements with Beijing Conew and Mr. Sheng Fu and Mr. Kun Wang, who owns 62.73% and 37.27% equity interests in Beijing Conew, respectively.

(4) Each of Cheetah Technology, Cheetah Mobile Calls Hong Kong Limited and Multicloud Limited has entered into deeds of nominee with the nominee shareholders of certain of our Hong Kong operating entities which we do not control through equity ownership. These deeds of nominee provide us with effective control over such Hong Kong entities, enable transfer of the economic benefits therein to us, and afford us the ability to have the equity interest held by the nominee shareholders transferred to us at our discretion.

Holders of our Class A ordinary shares or the ADSs hold equity interest in Cheetah Mobile Inc., our Cayman Islands holding company, and do not have direct or indirect equity interests in the VIEs and their subsidiaries. A series of contractual agreements, including business operation agreements, shareholder voting proxy agreements, equity pledge agreements, exclusive technology development, support and consultancy agreements, loan agreements and exclusive option agreements, have been entered into by and among our subsidiaries, the consolidated variable interest entities and their respective shareholders. Terms contained in each set of contractual arrangements with the consolidated variable interest entities and their respective shareholders are substantially similar. As a result of the contractual arrangements, we have effective control over and are considered the primary beneficiary of these companies, and we have consolidated the financial results of these companies in our consolidated financial statements. For more details of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure."

However, the contractual arrangements may not be as effective as direct ownership in providing us with control over the consolidated variable interest entities, and we may incur substantial costs to enforce the terms of the arrangements. In addition, these agreements have not been tested in China courts. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We rely on contractual arrangements with the VIEs and their shareholders for the operation of our business in China, which may not be as effective as direct ownership." and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—The shareholders of the VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business."

There are also substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules regarding the status of the rights of our Cayman Islands holding company with respect to its contractual arrangements with the consolidated variable interest entities and their shareholders. It is uncertain whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or if adopted, what they would provide. If we or any of the consolidated variable interest entities are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations" and "—Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

Our corporate structure is subject to risks associated with our contractual arrangements with the consolidated variable interest entities. If the PRC government deems that our contractual arrangements with the consolidated variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our holding company, our PRC subsidiaries and consolidated variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated variable interest entities and, consequently, significantly affect the financial performance of the consolidated variable interest entities and our company as a whole. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure."

**Risks and Uncertainties Related to Doing Business in China**

We face various risks and uncertainties related to doing business in China. Our business operations are primarily conducted in China, and we are subject to complex and evolving PRC laws and regulations. For example, we face risks associated with regulatory approvals on offshore offerings, oversight on cybersecurity and data privacy, which may impact our ability to conduct certain businesses, accept foreign investments, or list on a United States or other foreign exchange. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to continue to offer securities to investors, or cause the value of such securities to significantly decline. For a detailed description of Risks Relating to Doing Business in China, please refer to risks disclosed under "Item 3.D. Key Information—Risk Factors—Risks Relating to Doing Business in China."

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

Risks and uncertainties arising from the legal system in China, including risks and uncertainties regarding the enforcement of laws and quickly evolving rules and regulations in China, could result in a material adverse change in our operations and the value of our ADSs. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us." and "We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies."

Our business requires us to collect, store and process certain personal data relating to our customers. In recent years, the PRC regulators have tightened the regulations of the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information and data. Privacy, data protection and cybersecurity concerns and domestic or foreign laws and regulation may reduce the effectives of our business operating, and may result in significant costs and compliance challenges, and adversely affect our business. On December 28, 2021, twelve regulatory authorities jointly released the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Cybersecurity Review Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. New York Stock Exchange fall within the definition of "abroad" in the provision, however, we are already listed on the New York Stock Exchange, therefore, there can be no assurance if we are required to follow the cybersecurity review or the security assessment procedures, and if so, whether we would be able to complete the applicable cybersecurity review or the security assessment procedures in a timely manner.

On December 31, 2021, the CAC, MIIT, the Ministry of Public Security, the SAM promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation, or the Provisions on Algorithm Recommendation, which came into effect on March 1,2022. However, as the scope of algorithm recommendation service providers with public sentiment attributes or social mobilizing capability is currently unclear under the Provisions on Algorithm Recommendation, there remains substantial uncertainties as to its interpretation and enforcement. The internet information services algorithm filing system was launched on March 1, 2022, and we may have to subject the report filing obligation through such system.

On July 7, 2022, the Cyberspace Administration of China, or the CAC promulgated the Security Assessment Measures for Outbound Data Transfer, or the Security Assessment Measures, which took effect on September 1, 2022. The Security Assessment Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. We do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer. However, since the Security Assessment Measures is newly promulgated, there are uncertainties as to its interpretation and application. There can be no assurance that relevant regulatory authority will take the same view as ours. In the event if the regulatory authority deems certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Actual or alleged failure to comply with laws and regulations on cybersecurity and data protection could damage our reputation, discourage current and potential users from using our products and services applications and subject us to damages, administrative penalties and criminal liabilities, which could have material adverse effects on our business and results of operation."

**The Holding Foreign Companies Accountable Act**

Trading in our securities on U.S. markets, including the OTC market, may be prohibited under the Holding Foreign Companies Accountable Act, or the HFCAA, if the Public Company Accounting Oversight Board, or the PCAOB, determines that it is unable to inspect or investigate completely our auditor for two consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, or the 2021 Determinations. As of the date of this annual report, our auditor is not included in the 2021 Determinations. However, our former auditor, Ernst & Young Hua Ming LLP, or EY, was subject to the 2021 Determinations. Therefore, we have been identified as a "Commission-Identified Issuer" shortly after the filing of our annual report on Form 20-F in August 2022.

On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong in 2022 and vacated the 2021 Determinations accordingly. As a result, we do not expect to be identified as a "Commission-Identified Issuer" under the HFCAA for the fiscal year ended December 31, 2022 after we file our annual report on Form 20-F for such fiscal year. Accordingly, until such time as the PCAOB issues any new determination, we believe that we are at no risk of having our securities subject to a trading prohibition under the HFCAA.

However, whether the PCAOB will continue to conduct inspections and investigations completely to its satisfaction of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control, including positions taken by authorities of the PRC. The PCAOB is expected to continue to demand complete access to inspections and investigations against accounting firms headquartered in mainland China and Hong Kong in the future and states that it has already made plans to resume regular inspections in early 2023 and beyond. The PCAOB is required under the HFCAA to make its determination on an annual basis with regards to its ability to inspect and investigate completely accounting firms based in the mainland China and Hong Kong. The possibility of being a "Commission-Identified Issuer" and risk of delisting could continue to adversely affect the trading price of our securities. Should the PCAOB again encounter impediments to inspections and investigations in mainland China or Hong Kong as a result of positions taken by any authority in either jurisdiction, the PCAOB will make determinations under the HFCAA as and when appropriate then such lack of inspection could cause our securities to be delisted from the stock exchange. For more details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The ADSs may be prohibited from trading in the United States under the HFCAA if the PCAOB is unable to inspect or fully investigate our auditor. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."

**Permissions Required from the PRC Authorities for Our Operations**

We conduct our business primarily through our subsidiaries and consolidated variable interest entities in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and consolidated variable interest entities have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company and the consolidated variable interest entities in China, including, among others, Internet Content Provider Licenses, or ICP Licenses, for the provision of internet information services, a license for value-added telecommunications services with the specification of online data processing and transaction processing business, or EDI license, Business License of Value-Added Telecommunications Services, or SP license, and Computer Information System Security Products Sales License for our mobile and PC security applications. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for the functions and services of our platform in the future. Any lack of, or failure to keep, requisite licenses, permits, filings or approvals to our business operations, may harm our business. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies."

Furthermore, in connection with our issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and the consolidated variable interest entities, (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) have not received any formal notice from any cybersecurity regulator that we should apply for a cybersecurity review, and (iii) have not received or were denied such requisite permissions by any PRC authority.

However, the PRC government has recently exerted more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For more detailed information, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing."

**Cash and Asset Flows through Our Organization**

Cheetah Mobile Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our PRC subsidiaries, the VIEs and their subsidiaries in China. As a result, Cheetah Mobile Inc.'s ability to pay dividends depends upon dividends paid by our PRC subsidiaries. If our existing PRC subsidiaries or any newly formed ones incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly foreign-owned subsidiaries in China are permitted to pay dividends to us only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, each of our subsidiaries and the VIEs in China is

required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see "Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Holding Company Structure." and "Item 3. Key Information—Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends paid by our subsidiaries, including PRC subsidiaries, to fund any cash and financing requirements we may have. Any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to holders of the ADSs and our ordinary shares."

Under PRC laws and regulations, our PRC subsidiaries and consolidated variable interest entities are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets to us. Remittance of dividends by a wholly foreign-owned enterprise out of China is also subject to examination by the banks designated by State Administration of Foreign Exchange, or SAFE. The amounts restricted include the paid-up capital and the statutory reserve funds of our PRC subsidiaries and the net assets of the consolidated variable interest entities in which we have no legal ownership, totaling RMB218.4 million, RMB200.6 million and RMB201.7 million (US$29.2 million) as of December 31, 2020, 2021 and 2022, respectively. For details, see "Item 3. Key Information—Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from loans to our PRC entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business."

For the years ended December 31, 2020, 2021 and 2022, certain of our PRC subsidiaries have declared dividends to our Hong Kong subsidiaries for an aggregate amount of RMB19.6 million, RMB9.5 million and nil; the dividend payments are subject to withholding tax. We have made tax provisions based on the corresponding tax rate. If our PRC subsidiaries further declare and distribute profits earned after January 1, 2008 in the future, the dividend payments will be subject to withholding tax, which will increase our tax liability and reduce the amount of cash available to our company. For the potential distributable profits to be distributed to our qualified Hong Kong incorporated subsidiary, the deferred tax liabilities are accrued at a 5% withholding tax rate. Cheetah Mobile Inc. transfers cash to its wholly-owned Hong Kong and Singapore subsidiaries, by making capital contributions or providing loans, and the Hong Kong or Singapore subsidiaries transfer cash to the subsidiaries in China by making capital contributions, providing loans or by making payment for inter-group transactions. Because Cheetah Mobile Inc. and its subsidiaries have contractual arrangements with the VIEs instead of equity ownership, they are not able to make direct capital contribution to the VIEs and their subsidiaries. However, they may transfer cash to the VIEs by loans or by making payment to the VIEs for inter-group transactions.

For the years ended December 31, 2020, 2021 and 2022, Cheetah Mobile Inc. through its intermediate holding companies provided capital contribution and loans with principal amount of RMB309.7 million, RMB74.2 million and RMB92.3 million (US$13.4 million), respectively, to its subsidiaries in China, and the subsidiaries haven't repaid the loans for the years ended December 31, 2020, 2021 and 2022. For the years ended December 31, 2020, 2021 and 2022, our PRC subsidiaries provide technical support, marketing and operating services to our overseas subsidiaries, total amounts paid for such services by our overseas subsidiaries to our PRC subsidiaries were RMB54.7 million, RMB3.3 million and RMB9.5 million (US$1.4 million). In 2020, our PRC subsidiaries transferred some game assets to one of our Hong Kong subsidiary, the total consideration of such transfer was US$15.5 million which was fully paid in 2021.

For the years ended December 31, 2020, 2021 and 2022, our consolidated VIEs received debt financing of RMB278.0 million, RMB91.1 million and RMB128.4 million (US$18.6 million) from Cayman and subsidiaries, respectively, and the VIEs repaid the principal amount of RMB286.6 million, RMB121.0 million and RMB139.9 million (US$20.3 million), respectively to the related subsidiaries.

The VIEs may transfer cash to the relevant subsidiaries by paying service fees related to technical support, backoffice support, marketing and sales agency services. For the years ended December 31, 2020, 2021 and 2022, the total amount of service fees that VIEs paid to the relevant subsidiaries related to such services was RMB243.6 million, RMB155.3 million and RMB154.7 million (US$22.4 million), respectively. The VIEs also provide cloud and promotion services to our subsidiaries, the total amount received from the relevant subsidiaries related to such services was RMB53.2 million, RMB33.3 million and RMB57.6 million (US$8.4 million), respectively for the years ended December 31, 2020, 2021 and 2022.

For the years ended December 31, 2020, 2021 and 2022, no material assets other than the above cash transactions were transferred between our subsidiaries and the consolidated variable interest entities.

Cheetah Mobile Inc. declared and paid cash dividends on its ordinary shares of approximately US$200.0 million in 2020.We currently don't have any present plan to pay any cash dividends on its ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy." For the material Cayman Islands, PRC and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares, see "Item 10. Additional Information—E. Taxation."

**Financial Information Related to The Consolidated Variable Interest Entities**

The following table presents the condensed consolidating schedule of financial information of Cheetah Mobile Inc., its subsidiaries, and its consolidated variable interest entities and other entities as of the dates presented.

***Selected Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) Data***

| | For the Year Ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Revenues | — | 833,330 | 344,288 | (293,552) | 884,066 |
| Net (loss) income | (513,475) | (486,404) | 3,792 | 475,396 | (520,691) |

| | For the Year Ended December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Revenues | — | 894,352 | 320,942 | (430,678) | 784,616 |
| Net (loss) income | (351,126) | (358,345) | (8,489) | 364,756 | (353,204) |

| | For the Year Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Revenues | — | 1,316,872 | 659,626 | (423,853) | 1,552,645 |
| Net income (loss) | 416,732 | (48,734) | (8,825) | 51,984 | 411,157 |

***Selected Condensed Consolidated Balance Sheets Data***

| | As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Cash and cash equivalents | 130,746 | 1,163,321 | 221,732 | — | 1,515,799 |
| Restricted cash | — | 696 | — | — | 696 |
| Short-term investments | — | 93,147 | 63,035 | — | 156,182 |
| Due from related parties, net | — | 173,393 | 25,706 | — | 199,099 |
| Others | 111,986 | 1,097,519 | 42,414 | — | 1,251,919 |
| **Total current assets** | **242,732** | **2,528,076** | **352,887** | **—** | **3,123,695** |
| Investments in subsidiaries | 474,435 | — | — | (474,435) | — |
| Due from related parties, net | — | 3,840 | — | — | 3,840 |
| Others | 477,366 | 1,171,499 | 363,019 | — | 2,011,884 |
| **Total non-current assets** | **951,801** | **1,175,339** | **363,019** | **(474,435)** | **2,015,724** |
| Amount due from Group companies | 2,345,588 | 1,596,664 | 737,129 | (4,679,381) | — |
| **Total assets** | **3,540,121** | **5,300,079** | **1,453,035** | **(5,153,816)** | **5,139,419** |
| Due to related parties | — | 9,349 | 14,280 | — | 23,629 |
| Others | 23,700 | 1,518,632 | 212,566 | — | 1,754,898 |
| **Total current liabilities** | **23,700** | **1,527,981** | **226,846** | **—** | **1,778,527** |
| **Total non-current liabilities** | **181,508** | **72,259** | **2,339** | **—** | **256,106** |
| Amount due to Group companies | 301,582 | 3,234,651 | 1,143,148 | (4,679,381) | — |
| **Total liabilities** | **506,790** | **4,834,891** | **1,372,333** | **(4,679,381)** | **2,034,633** |

***Selected Condensed Consolidated Balance Sheets Data (Continued)***

| | As of December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Cash and cash equivalents | 20,401 | 1,526,029 | 37,496 | — | 1,583,926 |
| Restricted cash | — | 637 | 144 | — | 781 |
| Short-term investments | — | 142,616 | 120,197 | — | 262,813 |
| Due from related parties, net | — | 46,709 | 54,624 | — | 101,333 |
| Others | 147,396 | 467,870 | 34,368 | — | 649,634 |
| **Total current assets** | **167,797** | **2,183,861** | **246,829** | **—** | **2,598,487** |
| Investments in subsidiaries | 897,699 | — | — | (897,699) | — |
| Due from related parties, net | — | 111,335 | — | — | 111,335 |
| Others | 449,850 | 1,465,166 | 353,480 | — | 2,268,496 |
| **Total non-current assets** | **1,347,549** | **1,576,501** | **353,480** | **(897,699)** | **2,379,831** |
| Amount due from Group companies | 3,124,311 | 2,229,709 | 706,646 | (6,060,666) | — |
| **Total assets** | **4,639,657** | **5,990,071** | **1,306,955** | **(6,958,365)** | **4,978,318** |
| Due to related parties | — | 8,735 | 29,025 | — | 37,760 |
| Others | 31,107 | 1,129,974 | 155,053 | — | 1,316,134 |
| **Total current liabilities** | **31,107** | **1,138,709** | **184,078** | **—** | **1,353,894** |
| **Total non-current liabilities** | **169,629** | **86,705** | **7,947** | **—** | **264,281** |
| Amount due to Group companies | 1,159,795 | 3,876,360 | 1,024,511 | (6,060,666) | — |
| **Total liabilities** | **1,360,531** | **5,101,774** | **1,216,536** | **(6,060,666)** | **1,618,175** |

***Selected Condensed Consolidated Cash Flows Data***

| | For the Year Ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Net cash (used in)/provided by operating activities | (26,054) | (552,598) | 154,403 | — | (424,249) |
| Net cash (used in)/ provided by investing activities | 137,160 | (14,883) | (98,598) | 165,373 | 189,052 |
| Net cash provided by/(used in) financing activities | — | 32,046 | 128,461 | (165,373) | (4,866) |

| | For the Year Ended December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Net cash provided by/(used in) operating activities | 666 | (121,934) | 209,357 | 14,722 | 102,811 |
| Net cash (used in)/provided by investing activities | (864,999) | 251,806 | (255,027) | 1,089,056 | 220,836 |
| Net cash provided by/(used in) financing activities | 891,960 | 111,085 | 91,093 | (1,103,778) | (9,640) |

| | For the Year Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Cheetah Mobile Inc. | Company Subsidiaries | Consolidated Variable Interest Entities | Eliminations | Consolidated Total |
| | (RMB, in thousands) | | | | |
| Net cash (used in)/provided by operating activities | (2,186) | 419,715 | (36,196) | (427,465) | (46,132) |
| Net cash provided by investing activities | 1,345,523 | 85,901 | 21,168 | 427,771 | 1,880,363 |
| Net cash (used in)/provided by financing activities | (1,453,285) | 2,934 | — | (306) | (1,450,657) |

## A. Reserved

## B. Capitalization and Indebtedness

Not applicable.

## C. Reasons for the Offer and Use of Proceeds

Not applicable.

## D. Risk Factors

**Summary of Risk Factors**

An investment in our ADSs or ordinary shares involves significant risks. The following list summarizes some, but not all, of these risks. These risks are discussed more fully in this Item 3. Key Information—D. Risk Factors.

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

- Our products users decreased in the past years and may continue to decrease in the future, which would materially and adversely affect our business, financial condition and results of operations would be materially and adversely affected.
- Because a limited number of customers contribute to a significant portion of our revenues, our revenues and results of operations could be materially and adversely affected if we were to lose a significant customer or a significant portion of its business.
- We are subject to risks and uncertainties faced by companies in a rapidly evolving industry.

- If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.
- We have certain operations in international markets. If we fail to meet the challenges presented by our overseas operations, our business, financial conditions and results of operations may be adversely affected.
- If users do not widely adopt versions of our applications developed for various mobile devices, our business could be adversely affected.
- If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us or our partners, our business, financial condition and results of operations may be materially and adversely affected.

***Risks Relating to Our Corporate Structure***

- If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.
- We rely on contractual arrangements with the VIEs and their shareholders for the operation of our business in China, which may not be as effective as direct ownership.

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

- Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.
- Failure to meet the PRC government's complex regulatory requirements on our business operation could have a material adverse effect on our operations and the value of our ADSs.
- The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.
- A severe or prolonged downturn in the global economy could materially and adversely affect our business and financial condition.
- We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies.
- Content posted or displayed on our mobile and PC platforms and applications such as *duba.com*, including advertisements, may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in this annual report based on foreign laws.

***Risks Relating to the ADSs***

- The trading price of our ADSs has been volatile and may continue to be volatile regardless of our operating performance.
- Our ADSs may be delisted from the New York Stock Exchange as a result of our failure of meeting the New York Stock Exchange continued listing requirements.

**Risks Relating to Our Business and Industry**

***Our product users decreased in the past years and may continue to decrease in the future, which would materially and adversely affect our business, financial condition and results of operations would be materially and adversely affected.***

The size of our user base and our users' level of engagement are critical to our success. Our business and financial performance have been and will continue to be significantly determined by our success in retaining and engaging active users. We have been consistently anticipating user demand and developing innovative products and services to attract and retain users. However, the internet industry, including the mobile internet industry, is characterized by constant and rapid technological changes. As a result,

users may switch from one set of products to others more quickly than in other sectors. Our success will become increasingly dependent on our ability to increase levels of user engagement and monetization in our key markets. Our user engagement could be adversely affected if:

- we fail to maintain the popularity of our existing products for users;
- we are unsuccessful in launching new and popular applications in a cost-effective manner to further diversify our product offerings and increase user engagement;
- technical or other problems prevent us from delivering our products or services in a rapid and reliable manner or otherwise affect user experience;
- strategic investments or acquisitions that we make to diversify or improve our products or services offerings fail to generate the favorable results or synergies that we anticipate;
- there are user concerns related to privacy, safety, security or other factors;
- our competitors may launch or develop products and services similar to ours, which may result in a loss of existing users or reduced growth in new users;
- products adopting new technologies displace our products;
- there are adverse changes in our products or services that are mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements or consent decrees;
- there are regulatory enforcement actions or negative publicity for actual or perceived defects of our products and services;
- we fail to provide adequate customer service to users; or
- we do not maintain our brand image, or our reputation is damaged.

Furthermore, if any major distribution channel changes their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected. For example, on February 20, 2020, our company's Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and keep existing users. According to Google, the decision was made because some of our company's apps had not been compliant with Google policies, resulting in certain invalid traffic.

We received in the past and may continue to receive, complaints from users regarding our mobile applications primarily regarding privacy settings and certain third-party website promotion activities on our mobile applications. While we did not incur any material costs to address the complaints, we may need to incur substantial expenditures in the future. If we are unable to address user complaints timely or at all, our reputation may be harmed, and our user may continue to decline. Our efforts to avoid or address any of these events could require us to incur substantial expenditures to modify or adapt our products, services or infrastructure. If we fail to retain our user base, or if our users decrease their engagement with our products, our business, financial condition and results of operations would be materially and adversely affected.

***Because a limited number of customers contribute to a significant portion of our revenues, our revenues and results of operations could be materially and adversely affected if we were to lose a significant customer or a significant portion of its business.***

Currently, a limited number of customers contribute a significant portion of our revenues. Our customers primarily comprise mobile advertising networks and partners, e-commerce companies, mobile application developers and mobile game developers, as well as individual customers, to which we refer traffic, sell advertisements, provide network security and technical services. In 2020, 2021 and 2022, our five largest customers in aggregate contributed approximately 28.0%, 35.6% and 46.3% of our revenues, respectively. We expect that a limited number of our customers will continue to contribute a significant portion of our revenues in the near future. If we lose any of these customers, or if revenues generated from a significant customer are substantially reduced due to, for example, increased competition, a significant change in the customer's business policy or operation, suspected breach or violation to the underlying contract or policy, any deterioration in customer relationship, or significant delays in payments for our services, our business, financial condition and results of operations may be materially and adversely affected.

On February 20, 2020, our Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and generate revenue from Google and may lead to a more concentrated customer base in future. Furthermore, in 2020, we disposed certain internet business, which mainly include gaming-related business, and

resulted in a contraction of our products and services. For the year ended December 31, 2020, our disposed business contributed approximately 34.5% of our revenues. As a result, our revenues from internet business decreased by 52.7% from RMB1,380.9 million in 2020 to RMB653.8 million in 2021.

***We are subject to risks and uncertainties faced by companies in a rapidly evolving industry.***

We operate in the rapidly evolving internet industry, which makes it difficult to predict our future results of operations. Accordingly, our future prospects are subject to the risks and uncertainties experienced by companies in this evolving industry. Some of these risks and uncertainties relate to our ability to, among others:

- successfully implement our plan to further develop and monetize our internet platform;
- offer new, innovative products and services and enhance our existing products and services with innovative and advanced technology to attract and retain a larger user base;
- retain existing customers, attract additional customers and restore collaborations with lost customers, and increase spending per customer;
- maintain our relationships with important suppliers, such as bandwidth suppliers, on favorable terms;
- respond to evolving user preferences and industry changes;
- respond to competitive market conditions;
- upgrade our technology to support traffic, product and service offerings;
- maintain effective control of our costs and expenses;
- respond to changes in the regulatory environment and manage legal risks, including those associated with intellectual property rights; and
- execute our strategic investments and acquisitions and post-acquisition integrations effectively.

If we fail to address any of the above risks and uncertainties, our business may be materially and adversely affected.

Additionally, certain of our technologies, such as artificial intelligence technologies, are characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. The prospects of our products and business based on such technologies would depend on our ability to develop new products and applications in new markets that develop as a result of technological and scientific advances, while improving the performance and cost-effectiveness. New technologies, techniques or products that might offer better combinations of price and performance than our products could emerge. It is important that we anticipate changes in technology and market demand. If we do not successfully innovate and introduce new technology into our anticipated product lines or effectively manage the transitions of our technology to new product offerings, our business, financial condition and results of operations could be harmed.

***If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.***

We face intense competition in our businesses. In the internet business, we compete with other mobile application and PC software developers, including those developers that offer products purported to perform similar functions as Duba Anti-virus and Clean Master, such as 360 Security Technology Inc., or 360, in China's internet security and anti-virus market. In the AI and others business, we compete with other companies offering similar product and service offerings as E-coupon vending robot, multi-cloud management business and overseas advertising business globally. In addition, we compete with all major internet companies for user attention and advertising spend.

Some of our competitors have longer operating histories and significantly greater financial, technological and marketing resources than we do and, in turn, have an advantage in attracting and retaining users and customers. If we are not able to effectively compete in any aspect of our business or if our reputation is harmed by negative publicity relating to us, our products and services or our key management, our user base may decrease, which could make us less attractive to customers, and our business, financial condition and results of operations may be materially and adversely affected.

***We have certain operations in international markets. If we fail to meet the challenges presented by our overseas operations, our business, financial conditions and results of operations may be adversely affected.***

Our business has continued to experience some challenges in the international markets. While we have scaled back from the international markets, our existing overseas business continues to be exposed and may continue exposing to a number of risks, including:

- challenges in formulating effective marketing strategies targeting mobile internet users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them.
- local competition;
- challenges in meeting local advertiser demands as well as online marketing practices and conventions;
- differences in user and advertiser reception and perception of our applications internationally;
- challenges in building direct sales operations in the oversea market;
- fluctuations in currency exchange rates;
- compliance with applicable foreign laws and regulations, including but not limited to internet content requirements, foreign exchange controls, cash repatriation restrictions, intellectual property protection rules and data privacy requirements;
- exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and assessments in multiple jurisdictions on various tax-related assertions, including transfer pricing adjustments and permanent establishment; and
- increased costs associated with doing business in foreign jurisdictions.

Our business, financial condition and results of operations may be materially and adversely affected by these and other risks associated with our overseas operations.

***If users do not widely adopt versions of our applications developed for various mobile devices, our business could be adversely affected.***

The number of people who access the internet through mobile devices is keeping increasing. The varying display sizes, functionality, and memory associated with mobile devices make the use of our applications on such devices more difficult and the versions of our applications developed for these devices may not be compelling to users, manufacturers or distributors of devices. Each manufacturer or distributor may establish unique technical standards for its devices, and our applications may not work or be compatible with these devices. Some manufacturers may also elect not to include our applications on their devices. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our applications for use on these mobile devices and we may need to devote significant resources to the creation, support, and maintenance of our applications tailored for such devices. If we are unable to attract and retain a substantial number of mobile device manufacturers, distributors, and users to adopt and use our applications, or if we are slow to develop products and technologies that are more compatible with mobile devices, our business could be adversely affected.

***If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us or our partners, our business, financial condition and results of operations may be materially and adversely affected.***

We currently rely on third-party mobile application distribution channels such as iOS App Store and similar Android distribution channels to distribute most of our mobile applications to users. We expect a substantial number of downloads of our mobile applications will continue to be derived from these distribution channels. As such, the promotion, distribution and operation of our applications are subject to such distribution channels' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. On February 20, 2020, our company's Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and generate revenue from Google. According to Google, the decision was made because some of our company's apps had not been compliant with Google policies, resulting in certain invalid traffic. If iOS App Store or any other major distribution channel changes their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

***If our internet business fails to optimize system performance or provide attractive personalized experiences, we may lose users, and our business, financial condition and results of operations may be materially and adversely affected.***

Our users rely on our utility products to optimize the performance of their PC and mobile devices, provide real time protection against security threats, and gain personalized device experience. Our software and applications are highly technical and complex and, when deployed, may contain defects or security vulnerabilities. Some errors in our products may only be discovered after a product has been installed and used by our users.

Most of our software and applications for users rely on our cloud-based data analytics engines to optimize system performance and protect against security threats. The data analytics engines include our most up-to-date security threats library and application behavior library in the cloud, and our products only include a subset of these libraries on the users' end devices. If our data analytics engines do not function properly, or if the infrastructure supporting the data analytics engine malfunctions, our applications may not achieve optimal results.

Our cloud-based data analytics engines employ a heuristic, or experience-based, approach to detect unknown security threats and behavior of unknown PC software and mobile applications. However, new malware and malicious software and applications are constantly appearing and evolving, and our detection technologies may not detect all forms of security threats or malicious software and applications encountered by our users. In addition, our products may not work properly with the Windows, Android or iOS operating systems if we cannot promptly upgrade our products following any changes or updates to these operating systems. We previously experienced system disruption due to compatibility issues resulting from an update to the Windows operating system.

Any of these defects, vulnerabilities or failures could result in damage to our reputation, decrease in our user base and loss of customers, and our business, financial condition and results of operations may be materially and adversely affected.

***If any system failure, interruption or downtime occurs, our business, financial condition and results of operations may be materially and adversely affected.***

Although we seek to reduce the possibility of disruptions and other outages, our applications may be disrupted by problems with our own cloud-based technology and system, such as malfunctions in our software or other facilities or network overload. Our systems may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error, computer attacks or viruses, earthquakes, floods, fires, terrorist attacks, change of relevant laws, regulations or policies and similar events. Our IT systems may not be fully redundant or backed up, and our disaster recovery planning may not be sufficient for all eventualities. Despite any precautions we may take, the occurrence of natural disasters, policy changes or other unanticipated problems at our hosting facilities or similar events affecting our ability to use necessary online resources could result in interruptions in the availability of our products and services. In particular, we may be required to expand and adapt our technology and infrastructure to continue to reliably store, process and analyze user content as well as to ensure smooth delivery of high quality content. Any interruption in the ability of our users to use our applications could damage our reputation, reduce our future revenues, harm our future operations, subject us to regulatory scrutiny and lead users to seek alternative products.

We mostly use third party cloud-based services, such as Tencent cloud, AWS etc. instead of self-owned servers. These third-party services may experience downtime from time to time, and we have limited control over the quality and reliability of these services. Any scheduled or unscheduled interruption in our ability to use such services could result in service disruption, which could result in an immediate, and possibly substantial, loss of revenues. If any such incidents take place, our brands and user perception of the reliability of our systems may be adversely affected.

***As most of our core mobile utility products are created for Android devices, a decrease in the popularity of the Android ecosystem may materially and adversely affect our business.***

Most of our core mobile utility applications are created for Android devices. Any significant downturn in the overall popularity of the Android ecosystem or the use of Android devices could materially and adversely affect the demand for and revenues generated from these mobile utility applications. Although the Android ecosystem has grown rapidly in recent years, it is uncertain whether it will continue to grow at a similar rate in the future. In addition, due to the constantly evolving nature of the mobile industry, another operating system for mobile devices may eclipse Android and decrease its popularity. To the extent that our mobile utility applications continue to mainly support Android devices, our utility products would be vulnerable to any decline in popularity of the Android operating system.

***We may further dispose our internet products that could have a material adverse impact on our revenues.***

We have developed widely popular mobile applications in-house and have grown some acquired or jointly-operated third-party applications into popular applications in the past. These applications attracted a large user base which in turn helps generate significant revenues for us. On February 20, 2020, our company's Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and generate revenue from Google. In 2020, we disposed major gaming-related business. As a result, the revenue contribution from gaming-related business decreased. If we further dispose our internet products, our internet business may be materially and adversely affected.

***We may be named as a defendant in putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.***

We have historically to defended against putative shareholder class action lawsuits described in "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings." We may be named as a defendant in putative shareholder class action lawsuit in the future. We will be unable to estimate the possible loss or possible range of loss, if any, associated with the resolution of any such lawsuit. In the event that our defense of any such lawsuit is unsuccessful, there can be no assurance that we will prevail in any appeal. Any adverse outcome of these cases, including any plaintiff's appeal of a judgment in any such lawsuit, could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from any such lawsuit. The litigation processes may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to any such lawsuit, and we cannot predict the impact that indemnification claims may have on our business or financial results.

***We may not be able to adequately protect or maintain our intellectual property, which could harm our business and competitive position.***

We regard our trademarks, service marks, patents, domain names, trade secrets, proprietary technologies know-how and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and invention assignment agreements with our employees and third parties to protect our proprietary rights. See "Item 4. Information on the Company—B. Business Overview— Intellectual Property" for a description for our intellectual property. While we actively take measures to protect our intellectual property, such measures may not be adequate to prevent the infringement or misappropriation of our intellectual property. There can be no assurance that any of our pending patent, trademark or other intellectual property applications will be issued or registered. Any intellectual property rights we have obtained or may obtain in the future may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, circumvented, infringed or misappropriated. Given the potential cost, effort, risks and disadvantages of obtaining patent protection, we have not applied and do not plan to apply for patents or other forms of intellectual property protection for certain of our key technologies. If some of these technologies are later proven to be important to our business and are used by third parties without our authorization, especially for commercial purposes, our business and competitive position may be harmed.

Monitoring for infringement or other unauthorized use of our intellectual property rights is difficult and costly, and we cannot be certain that we can effectively prevent such infringement or unauthorized use of our intellectual property. From time to time, we may need to resort to litigation or other proceedings to enforce our intellectual property rights, which could result in substantial cost and diversion of resources. We cannot provide assurance that we will prevail in such litigation or proceedings, in addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Our efforts to enforce or protect our intellectual property rights may be ineffective and could result in the invalidation or narrowing of the scope of our intellectual property or expose us to counterclaims from third parties, any of which may adversely affect our business and operating results.

In addition, it is often difficult to create and enforce intellectual property rights in China and other countries outside of the United States. Even where adequate, relevant laws exist in China and other countries outside of the United States, it may not be possible to obtain swift and equitable enforcement of such laws, or to enforce court judgments or arbitration awards delivered in another jurisdiction. Accordingly, we may not be able to effectively protect our intellectual property rights in such countries. Additional uncertainty may result from changes to intellectual property laws enacted in the jurisdictions in which we operate, and from interpretations of intellectual property laws by applicable courts and government bodies.

Our confidentiality and invention assignment agreements with our employees and third parties, such as consultants and contractors, may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of such unauthorized use or disclosure. Trade secrets and know-how are difficult to protect, and our trade secrets may be disclosed, become known or be independently discovered by others. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider confidential and proprietary. If we are not able to adequately protect our

trade secrets, know-how and other confidential information, intellectual property or technology, our business and operating results may be adversely affected.

Further, we have been licensed with certain intellectual properties by certain affiliates. For example, we and Kingsoft Corporation entered into a new Trademark Licensing Contract in 2018, under which we have been licensed with certain selected trademarks of Kingsoft Corporation and its relevant subsidiaries, such as Duba Anti-virus. We cannot assure you that we will continue to receive the same level of support on the same or more favorable terms and conditions, or renew the relevant licensing agreement at all, upon expiration of the contract terms, neither can we guarantee that our collaboration with our affiliates will not be terminated by our business partners or otherwise become limited, less effective or more expensive, which are subject to many factors beyond our control, such as legal requirements and our affiliates' business condition, plans and strategies. If we are unable to receive the same level of support from our affiliates, or if we fail to maintain or renew our existing licenses from our affiliates, or if we cannot benefit from the brand recognition capabilities of our affiliates as we do, our business and competitive position may be adversely affected.

***We may be subject to intellectual property infringement lawsuits which could result in our payment of substantial damages or license fees, disruption to our product and service offerings and reputational harm.***

Third parties, including our competitors, may assert claims against us for alleged infringements of their technology patents, copyrights, trademarks, trade secrets and internet content. Third parties may also claim that our employees have misappropriated or divulged their former employers' proprietary rights or confidential information. Our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement of other rights of third parties by us or our users. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, is uncertain and still evolving. If a claim of infringement brought against us in China or another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines, enter into license agreements which may not be available on commercially reasonable terms or at all or be subject to injunction or court orders. We may be subject to injunction or court orders or required to redesign our products or technology, any of which could adversely affect our business, financial condition and results of operations. Even if allegations or claims lack merit, defending against them could be both costly and time-consuming and could significantly divert the efforts and resources of our management and other personnel. In addition, regardless of the outcome of the lawsuit, we could suffer reputational harm.

For example, we changed our corporate name, company logo and trademark to reflect our new name Cheetah Mobile in the first half of 2014. Cheetah is commonly used in corporate names in China, the United States and elsewhere. Although we believe in good faith that our use of Cheetah Mobile does not infringe on any third-party intellectual property rights and we have filed trademark applications in certain categories in China, third parties may bring trademark and other intellectual property infringement claims against us, which could distract our management attention and result in us incurring significant cost to defend ourselves.

Further, we license and use technologies from third parties in our applications. These third-party technology licenses may not continue to be available to us on acceptable terms or at all, and may expose us to liability. Any such liability, or our inability to use any of these third-party technologies, could result in disruptions to our business that could materially and adversely affect our operating and financial results.

***Some of our applications contain open source software, which may pose increased risk to our proprietary software.***

We use open source software in some of our applications, including our Clean Master which uses volley networking technology and will use open source software in the future. In addition, we regularly contribute source code to open source software projects and release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to sell or distribute our applications. Additionally, we may from time to time face threats or claims from third parties claiming ownership of, or demanding release of, the alleged open source software or derivative works we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These threats or claims could result in litigation and could require us to make our source code freely available, purchase a costly license or cease offering the implicated applications unless and until we can re-engineer them to avoid infringement. Such a re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, our use of certain open source software may lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using

such contributed software source code. Any of these risks could be difficult to eliminate or manage and, if not addressed, could adversely affect our business, financial condition and results of operations.

***We do not have internal manufacturing capabilities and rely on third-party contract manufacturers to produce our products. If we encounter issues with these contract manufacturers, our business, brand and results of operations could be harmed.***

One of our main businesses is to deploy AI robots in some shopping malls and restaurants to sell coupons and provide services for merchants in China's tier one and tier two cities. Our AI robots products are developed by Beijing OrionStar Technology Co., Ltd. or Beijing OrionStar, one of our related parties. Through voice interaction and AI technologies, these AI robots are able to perform marketing campaigns to amplify partner promotions and build brand recognition. In 2022, we started our livestream selling business to sell various food products, which are produced by third parties.

We do not maintain our own manufacturing capabilities and rely on contract manufacturers to produce our products. We assign the production of AI robots to Beijing OrionStar and food products to other third parties. We may experience operational difficulties with our manufacturers, including reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, insolvency of the manufacturers, increases in manufacturing costs and longer lead time required. Our manufacturers may experience disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases or other problems. In addition, we may not be able to renew contracts with our contract manufacturers or identify manufacturers who are capable of producing new products we target to launch in the future.

***Our operating results could be materially harmed if we are unable to accurately forecast consumer demand for our products and services or manage our inventory.***

To ensure adequate inventory supply for our products, we procure products and components based on demand and production forecasts. The ability to accurately forecast demand for our products and services could be affected by many factors, including changes in customer demand for our products and services, and unanticipated changes in general market and economic conditions. In addition, as we continue to introduce new products and services, we may also face challenges managing the production plan of our existing products, which may in turn affect the inventory management for our existing products. If we or our customers fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which may cause our gross margin to suffer and could impair the strength of our brand. In 2020, 2021, our impairment of inventory were RMB23.7 million, RMB7.6 million and nil in 2022. On the other hand, in the case we experience shortage of products, we may be unable to meet the demand for our products, and our business and operating results could be adversely affected.

***Our business depends substantially on the continuing efforts of our management team, key employees and skilled personnel, and our business operations may be severely disrupted if we lose their services.***

Our future success depends substantially on the continued efforts of our management team and key employees, in particular, Mr. Sheng Fu, our chief executive officer. The loss of Mr. Fu or any of our management team members could harm our business. In addition, if our key employees were unable or unwilling to continue their services with us, we may not be able to replace them easily, in a timely manner, or at all, which could result in significant disruptions to our business. The integration of any replacement personnel could be time-consuming, expensive and cause additional disruption to our business. If any of our management team members or key employees joins a competitor or forms a competing company, we may lose customers, know-how and staff.

Each of our executive officers and key employees has agreed to non-competition obligations. However, these agreements may not be properly and effectively implemented in China, where our executives and key employees reside, in light of uncertainties relating to China's legal system. If any of our executive officers or key employees violates the terms of their non-competition or other employment agreements with us, or their legal duties by diverting business opportunities from us, it will result in our loss of corporate opportunities. Although we have adopted a code of business conduct and ethics to help restrict conflicts of interest involving directors and officers, any violation of this code by our directors or officers may materially and adversely affect our business operations, prospects and reputation.

***Allegations or lawsuits against us or our management may harm our reputation and have a material and adverse impact on our business, results of operations and cash flows.***

We have been, and may become, subject to allegations or lawsuits brought by our competitors, customers, business partners, short sellers, investment research firms or other individuals or entities, including claims of breach of contract or unfair competition. Any such allegation or lawsuit, with or without merit, or any perceived unfair, unethical, fraudulent or inappropriate business practice by us or perceived malfeasance by our management could harm our reputation and user base and distract our management from our daily operations. Allegations or lawsuits against us or our management may also generate negative publicity that significantly harms our reputation, which may materially and adversely affect our user base and our ability to attract customers. In addition to the related cost, managing and defending litigation and related indemnity obligations can significantly divert management's attention. We may also need to pay damages or settle the litigation with a substantial amount of cash. All of these could have a material adverse impact on our business, results of operation and cash flows.

***Our chief executive officer, Mr. Sheng Fu, is named in a lawsuit filed by Qihoo in Hong Kong, and there is uncertainty as to the outcome of this lawsuit and its impact on us.***

In September 2011, Mr. Sheng Fu, our chief executive officer, was named as a defendant in a lawsuit filed by Qihoo 360 Technology Co., Ltd., or Qihoo, the previous U.S. listed entity of 360, in the High Court of the Hong Kong Special Administrative Region. The complaint was subsequently amended in May 2012, July 2012 and January 2014. The amended complaint alleges that Mr. Fu has breached his contractual obligations of confidentiality, non-competition, non-solicitation and non-disparagement under the agreements Mr. Fu had entered into with a subsidiary of Qihoo prior to his resignation from the subsidiary in August 2008. The complaint asserts that Mr. Fu was a product manager of Qihoo and was responsible for, and participated in, product design and research of certain anti-virus products, including 360 Anti-virus and 360 Safe Guard, and had access to the related confidential information, trade secret, technology and know-how.

In connection with the above claims, the complaint specifically alleges that Mr. Fu: (i) used confidential information of Qihoo to develop, by himself or through Beijing Conew Technology Development Co. Ltd., or Beijing Conew, and Conew Network Technology (Beijing) Co., Ltd., or Conew Network, an anti-virus product released around May 2010 that was allegedly substantially similar to Qihoo's 360 Anti-virus and 360 Safe Guard and infringed upon the confidential information, trade secrets and other rights of Qihoo; (ii) engaged in or dealt with businesses and products that directly competed with the businesses and/or products of Qihoo within the 18-month restricted period; (iii) employed employees of Qihoo within the 18-month restricted period, including Mr. Ming Xu, our former president, who was the then director of technology of 360 Safe Guard, a division of Qihoo; and (iv) publicly made certain negative statements about Qihoo.

Qihoo is seeking a court declaration that Qihoo's repurchase of its shares previously granted to Mr. Fu under Qihoo's share incentive plan at a nominal value was valid, a court order that Mr. Fu cease to use any confidential information or know-how of Qihoo, damages for disparagement, and a court order that Mr. Fu account to Qihoo for any profits that he earned as a result of the alleged breach.

Mr. Fu joined us in October 2010 when we acquired Conew.com Corporation for which Mr. Fu served as the chief executive officer prior to the acquisition. Our product offerings do not include, and are not derived from, the anti-virus products referenced in the complaint. Mr. Fu believes that Qihoo's allegations are without merit and intends to contest them vigorously. However, it is inherently difficult to predict the length, process and outcome of any court proceedings. Any litigation, regardless of the merits, can be time-consuming and can divert Mr. Fu's attention away from our business. Should Qihoo prevail in the lawsuit against Mr. Fu, Mr. Fu's reputation may be harmed and he may be ordered to cease using such confidential information. Moreover, although we have not been named as a defendant in the lawsuit, we cannot guarantee that Qihoo or 360 will not initiate proceedings against us in the future, which could adversely affect our reputation, business and results of operations.

***We have made significant capital investment in a number of strategic investments, acquisitions and partnerships, which may not be successful and may have a material and adverse effect on our business, reputation and results of operations.***

We have made significant capital investment in strategic investments, acquisitions and partnerships to complement our organic business expansion. We have also made a number of investments in securities and minority investments in companies with strategic value for us. These investments and acquisitions require a significant amount of capital, which decreases the amount of cash available for working capital or capital expenditures. In 2020, 2021 and 2022, we have paid for investments in an aggregate amount of RMB186.2 million, RMB9.5 million and RMB69.6 million (US$10.1 million), respectively. If these investments do not perform as we have expected, become less valuable to our business due to a change in our overall business strategy, or if the industry, regulatory or economic environments deteriorate, they could result in significant impairment of investments. In 2020, 2021 and 2022, our impairment of investments were RMB78.1 million, RMB395.0 million and RMB262.5 million (US$38.1 million), respectively, primarily due to some non-cash write-downs of certain investment assets, as we considered the fair value of such investment assets less than carrying value. These write-downs were the result of lower-than-expected performance and financial position of the

investment assets. In addition, potential acquisitions of businesses and assets may increase our capital and expenses in integrating new businesses and personnel into our own, require significant management attention and result in a diversion of resources away from our existing business, which in turn could have an adverse effect on our business operations. Further, potential acquisitions could result in increased leverage, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The costs of identifying and consummating acquisitions may also be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and comply with applicable laws and regulations, which could result in increased costs and delays.

In the future, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. However, we may fail to select appropriate acquisition targets, negotiate acceptable arrangements (including arrangements to finance acquisitions) or integrate the acquired businesses and their personnel into our own. In addition, strategic partnerships could subject us to a number of risks, including risks associated with sharing proprietary information and non-performance by third parties. We may not be able to monitor or control the actions of our strategic partners and, to the extent any such strategic partner suffers negative publicity or harm to its reputation from events relating to its own business, we may also suffer negative publicity or harm to our reputation by association.

***If we fail to effectively resume our growth or implement our business strategies, our business and operating results could be harmed.***

Our business experienced revenue decrease since 2019. Total revenues decreased from RMB1,552.6 million in 2020 to RMB784.6 million in 2021. Although our revenue increased to RMB884.1 million (US$128.2 million) in 2022, our business continues to face some challenges, and we may not be able to maintain our growth momentum in the future. In addition, resuming our growth requires significant expenditures and allocation of valuable management time and resources. To execute our business plan and strategy, we need to continuously improve our operational and financial systems, procedures and controls, and expand, train, manage and maintain good relations with our employee base. Further, we must expand and continue to engage or maintain our relationships with a growing number of users, customers and business partners. Resumed growth could also strain our ability to maintain reliable service for our users, customers and business partners. We operate in a dynamic and rapidly evolving market and investors should not rely on our past results as an indication of our future operating performance. Any failure to effectively manage our growth or implement our business strategies may materially and adversely affect our business and results of operations.

***Our results of operations are subject to seasonal fluctuations due to a number of factors, any of which could adversely affect our business and operating results.***

We are subject to seasonality and other fluctuations in our business. Revenues from our internet business are affected by seasonality in advertising spending in both China and the overseas markets. In 2022, revenues from our Internet business accounted for 78.9% of our total revenues. We believe that such seasonality in advertising spending affects our quarterly results, resulting in growth in our revenues from internet business between the third and the fourth quarters but a decline from the fourth quarter to the next quarter. Thus, our operating results for one or more future quarters or years may fluctuate substantially or fall below the expectations of securities analysts and investors. In such event, the trading price of the ADSs may fluctuate significantly.

***If we fail to build, maintain and enhance our brands, incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.***

We believe that building, maintaining and enhancing our brands are critical to the success of our business and our ability to compete. Well-recognized brands are important to increasing our number of users and expanding our business.

Many factors, some of which are beyond our control, are important to maintaining and enhancing our brands and may negatively impact our brands and reputation if not properly managed, such as:

- our ability to provide a convenient and reliable user experience as user preferences evolve and we expand into new applications;
- our ability to increase brand awareness among existing and potential users and customers through various marketing and promotional activities;
- our ability to adopt new technologies or adapt our applications to meet user needs or the expectations of our customers;
- our ability to maintain and enhance our brands in the face of potential challenges from third parties;
- actions by third parties, through whom we collect revenues and perform other business functions, that may affect our reputation; and

- our ability to differentiate our brands and products from those of Kingsoft Corporation.

As we expand, we may conduct various marketing and brand promotion activities. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the outcomes we expect. In addition, any negative publicity in relation to our applications, regardless of its veracity, could harm our brands and reputation.

***Non-compliance on the part of third parties with whom we conduct business could disrupt our business and adversely affect our results of operations.***

Third parties with whom we conduct our business, including our advertisers and partners place their advertisements on our products through mobile advertising networks, operational partners who provide assistive functionalities for our PC or mobile products, content provider and hardware manufacturer, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Any legal liabilities of, or regulatory actions against, such third parties may affect our business activities and reputation and, in turn, our results of operations. For example, under PRC advertising laws and regulations, we are obligated to monitor the advertising contents shown on our products and establish the registration, review and file management system of advertising business. We have strict terms in contracts with most of the advertising networks to ensure that the advertisements shown on our products are in full compliance with applicable PRC laws and regulations. However, there are still uncertainties underlying these contents from advertisers and partners. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have an adverse effect on our business, financial condition, results of operations and prospects.

***If we fail to obtain and maintain the requisite licenses and approvals or otherwise comply with the laws and regulations under the complex regulatory environment applicable to our businesses in China as well as our outbound investment, or if we are required to take actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.***

The internet industry, including the mobile internet industry, is highly regulated in China. The VIEs are required to obtain and maintain applicable licenses and approvals from different regulatory authorities in order to provide their current services. Under the current PRC regulatory scheme, a number of regulatory agencies, including but not limited to the State Administration of Press, Publication, Radio, Film and Television, or SARFT, which has been reformed and become National Radio and Television Administration, or NRTA, the Ministry of Culture, or MOC, which were consolidated with the National Tourism Administration and has been reformed and become the Ministry of Culture and Tourism, or MCT, Ministry of Industry and Information Technology, or MIIT, the State Council Information Office, or SCIO, and the Cyberspace Administration of China, or CAC, jointly regulate all major aspects of the internet industry, including mobile and PC internet businesses. Operators must obtain various government approvals and licenses for relevant internet or mobile business.

We have obtained Internet Content Provider Licenses, or ICP Licenses, for the provision of internet information services, a license for value-added telecommunications services with the specification of online data processing and transaction processing business, or EDI license, Business License of Value-Added Telecommunications Services, or SP license, and Computer Information System Security Products Sales License for our mobile and PC security applications. These licenses are essential to the operation of our business and are generally subject to regular government review or renewal. However, we cannot assure you that we can successfully renew these licenses in a timely manner or that these licenses are sufficient to conduct all of our present or future business.

For example, a number of online games currently offered on our platform are developed by and jointly operated with game developers, whereas several online games were developed and are currently operated by us. We are required to obtain an Internet Publishing License from SARFT for the operation and distribution of games through mobile and PC internet networks. As it is difficult to acquire Internet Publishing License in practice, we have not obtained an Internet Publishing License from SARFT for the operation and distribution of games on mobile and PC internet. Due to the lack of Internet Publishing License for operating and distributing games through mobile and PC internet networks, we may be prohibited from carrying out the above mentioned activities and may be subject to administrative penalties, such as warnings, fines or even criminal liabilities. Additionally, each online game is also required to be filed with SARFT prior to the commencement of its operations in China. While we endeavor to comply with the registration requirements, a few developers of the games we publish (including our subsidiaries), who have contractual obligations to file the games with SARFT, may have not made such filings as required. We cannot assure you that we or our game developers will be able to obtain all the required permits, approvals or licenses or complete all the required filings in a timely manner, or at all. If we or any of such game developers fails to do so, we may have to modify our online game publishing services in a manner disruptive to our business or may not be able to continue to operate the affected online games, which may adversely affect our business and results of operations.

Also, considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our current business activities and new industries or businesses we may expand into. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' implementation or interpretation of these laws and regulations. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, or otherwise fail to comply with the laws and regulations, we may be subject to various penalties, such as confiscation of revenues that were generated through the unlicensed internet or mobile activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Pursuant to NDRC Order 11, any sensitive outbound investment project carried out by overseas enterprise controlled by a PRC natural person shall be subject to a verification and approval procedure, and any non-sensitive outbound investment project, with the total investment amount from any Chinese investor via overseas enterprise under its control exceeding US$300 million, shall be reported to NDRC before the implementation of the project. On February 12, 2017, Kingsoft Corporation have entered into a voting proxy agreement with Mr. Sheng Fu, which became effective on October 1, 2017. According to such agreement, Kingsoft Corporation have delegated to Mr. Sheng Fu its approximately 39.2% voting power of our company. Mr. Sheng Fu has approximately 46.3% voting power of our company so far. As we and our overseas subsidiaries may be considered as companies under control of Mr. Sheng Fu pursuant to NDRC Order 11, verification and approval procedure or reporting may be required when we or our subsidiaries make investments outside China. While we endeavor to comply with NDRC Order 11 and other regulations regarding outbound investment, we cannot assure you that our existing or future subsidiaries will maintain all applicable outbound investment procedures in a timely manner, and any non-compliance on their part may cause potential liabilities to us and disrupt our operations. See "Item 4. Information on the Company—B. Business Overview—Regulations— Regulations on Outbound Investment" for further details.

***Our business collects and processes a large amount of data, including business and personal data, and any improper collection, hosting, use or disclosure of data could harm our reputation and have a material adverse effect on our business and prospects.***

Our business generates and process a large quantity of personal data, we have enacted privacy policies concerning the collection, use and disclosure of personal data. We face risks inherent to handling and protecting a large quantity of data and disclosure of personal data, especially we face a number of challenges relating to data security and privacy.

In recent years, the PRC government has promulgated Laws and regulations relating to internet use to protect personal information from any unauthorized disclosure. For example, on August 20, 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC, or the Personal Information Protection Law, which became effective on November 1,2021. Pursuant to Personal Information Protection Law, the processing of personal information includes the transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals in a conspicuous manner and in clear and easy-to-understand language. Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection, the department performing personal information protection duties shall order corrections , give warnings , confiscate illegal gains and order to suspend or terminate the provision of services by the applicants that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB 1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less thanRMB10,000 but not more than RMB100,000.

Our mobile applications and websites collect certain user personal information that is necessary to provide the corresponding services. We have privacy policies in place that defines the scope and necessity of the personal information we collect, which have been, and will continue to be updated from time to time to meet the latest regulatory requirements. Nonetheless, many specific requirements for collecting, or processing personal information, including requirements of the Personal Information Protection Law, remain to be clarified by the CAC, other regulatory authorities, and courts in practice. We may be required to make further adjustments to our business practices to comply with the personal information protection laws and regulations. See "Item 4. Information on the Company—B. Business Overview—Regulations."

As the regulations regarding data privacy are quickly evolving in China and globally, we may become subject to evolving laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information that could affect how we store, process and share data with our customers, suppliers and third-party merchants. Concerns about our practices with regard to the collection, storage, use, processing, disclosure or transfer of personal information or other privacy-related matters, even if unfounded, could damage our reputation, business and results of operations. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy

of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

As such, we have adopted a series of measures to ensure that we comply with relevant laws and regulations in the collection, use, disclosure, sharing, storage, and security of user information and other data. Although we have worked to make the utmost commercially reasonable efforts to ensure that we collect personal information and data only with users' prior consent and have adopted measures to protect the data security and minimize the risk of data loss, we cannot assure you that the measures we have taken are always sufficient and effective. The improper collection, use or disclosure of data could result in a loss of our customers, loss of confidence or trust in us, litigation, regulatory investigations, penalties or actions against us, significant damage to our reputation, and have a material adverse effect on our business, financial condition, results of operations and prospects.

***Actual or alleged failure to comply with laws and regulations on cybersecurity and data protection could damage our reputation, discourage current and potential users from using our products and services applications and subject us to damages, administrative penalties and criminal liabilities, which could have material adverse effects on our business and results of operations.***

A significant challenge to our business is the secure storage of confidential information and its secure transmission over public networks. Maintaining complete security for the storage and transmission of confidential information on our platform is essential to maintaining our operating efficiency as well as complying with the applicable laws and standards.

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law, among others, provides for a security review procedure for the data activities that may affect national security.

On July 30, 2021, the state council promulgated the Regulations on Protection of Critical Information Infrastructure, which became effective on September 1, 2021. The Regulations on Protection of Critical Information Infrastructure, among others, requires the critical information infrastructure operators to take more strict technical security and other measures. As of the date of this annual report, no detailed rules or implementation has been issued by any authority and the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. Therefore, it is uncertain whether we would be deemed as a critical information infrastructure operator under PRC law. As of the date of this annual report, we have not been informed as a critical information infrastructure operator by any government authorities, however, if we are deemed as a critical information infrastructure operator under the PRC cybersecurity laws and regulations, we must fulfill certain obligations as required under the PRC cybersecurity laws and regulations, including, among others, storing personal information and important data collected and produced within the PRC territory during our operations in China, which we have fulfilled in our business, and we may be subject to review when purchasing internet products and services. For more details of the relevant regulations, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Information Security."

On November 14, 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments) or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. For more details of the relevant regulations, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Information Security." However, as of the date of this annual report, we have not received any formal notice from any cybersecurity regulator that we should apply for a cybersecurity review. In addition to the cybersecurity review, the Draft Administration Regulations requires that data processors processing "important data" or listed overseas shall conduct an annual data security assessment by itself or commission a data security service provider to do so, and submit the assessment report of the preceding year to the municipal cybersecurity department by the end of January each year. The Draft Regulations remains unclear on whether the relevant requirements will be applicable to companies that have been listed in the United States and Hong Kong, such as us. We cannot predict the impact of the Draft Regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the enacted versions of the Draft Regulations mandate clearance of cybersecurity review and other specific actions to be completed by China-based companies listed on a U.S. stock exchange and Hong Kong Exchanges, such as us, we face uncertainties as to whether such clearance can be timely obtained, or at all. In addition, if a final version of the Draft Regulations is adopted, we may be subject to review when conducting data processing activities and annual data security assessment and may face challenges in addressing its requirements and make necessary changes to our internal policies and practices in data processing. We have been advised by our PRC legal counsel that, these laws and regulations are relatively new, and therefore there are substantial uncertainties with respect to the interpretation and implementation of these data security laws and regulations. We may need to adjust our business to comply with information security requirements from time to time. We have taken measures to comply with existing laws and regulations.

On July 7,2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, or the Security Assessment Measures, which took effect on September 1,2022. The Security Assessment Measures, require that any data processor

that processes or exports personal information exceeding certain exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border transfer of personal data or important data during our daily business operations. However, since the Security Assessment Measures were newly promulgated, there are uncertainties as to its interpretation and application. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

On December 31, 2021, the CAC, together with other regulatory authorities, published Administrative Provisions on Algorithm Recommendation for Internet Information Services (the Administrative Provisions on Algorithm Recommendation), effective on March 1, 2022. Pursuant to the Administrative Provisions on Algorithm Recommendation, users should be given an option to easily turn off algorithm recommendation services, and service providers shall, among others, establish and improve the management systems and technical measures for algorithm driven recommendation mechanism and regularly review, evaluate and verify the principle, models, data and application results of algorithms. We will closely monitor the regulatory development and adjust our business operation from time to time to comply with the regulations over algorithm.

We expect that these areas will receive greater focus and attention from the regulators, and attract continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with information security and data protection.

***Our business is subject to complex and evolving laws and regulations regarding privacy, data protection, and other matters outside China. Failure to comply with these laws and regulations could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.***

In addition to PRC laws and regulations, we face additional regulatory risks and costs outside China. We are subject to a variety of laws and regulations in foreign jurisdictions that involve matters central to our business, including privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, national security, electronic contracts and other communications, virtual currencies, competition, protection of minors, consumer protection, telecommunications, taxation, and economic or other trade prohibitions or sanctions. The introduction of new products, services or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. In addition, foreign data protection, privacy, and other laws and regulations can be more restrictive than those in China and in the United States.

For instance, we are subject to regulations under U.S. state law regarding the publication and dissemination of our privacy policy with respect to user data. It is possible that we may become subject to additional U.S. state or federal legislation or rules and regulations of governmental authorities outside China regarding the use of personal information or privacy-related matters. The General Data Protection Regulation (GDPR) (EU) 2016/679 is a regulation in EU law on data protection and privacy for all individuals within the European Union. It addresses the export of personal data outside the EU. The GDPR became enforceable on May 25, 2018. Failure to comply with GDPR may result in punitive actions from EU authorities, reputation damage, user loss, and revenue loss. Complying with any additional or new regulatory requirements could force us to incur substantial costs or require us to change our business practices.

Similar to PRC laws and regulations, these foreign laws and regulations are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For example, regulatory or legislative actions affecting the manner in which we display content to our users could adversely affect user growth and engagement, and legislations implementing data protection requirements or requiring local storage and processing of data or similar requirements could increase the cost and complexity of delivering our services.

The existing and proposed laws and regulations, as well as any associated inquiries, investigations, or actions, can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

While we strive to protect our users' privacy and comply with all applicable data protection laws and regulations, any failure or perceived failure to do so may result in proceedings or actions against us by government entities or others, and could damage our reputation, discourage current and potential users from using our products or services, and subject us to damages, administrative penalties and criminal liabilities. From time to time, we may be subject to claims or allegations of infringement of users' privacy or

breach of data protections laws. Negative publicity in relation to our products or services, regardless of its veracity, could seriously harm our reputation, which in turn may discourage current and potential users from using our applications, which could have material adverse effects on our business and results of operations. In addition, user and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used by, accessible to or shared with customers or others may adversely affect our ability to share certain data with customers.

***Security breaches or hacking incidents could have a material adverse effect on our reputation, business prospects and results of operations.***

Any significant breach of the security of our computer systems could significantly harm our business, reputation and results of operations and expose us to lawsuits brought by our users and customers and to sanctions by governmental authorities in the jurisdictions in which we operate and may result in significant damage to our internet security brand. We cannot assure you that our IT systems will be completely secure from future security breaches or hacking incidents. Anyone who is able to circumvent our security measures could misappropriate proprietary information, including the personal information of our users, obtain users' names and passwords and enable hackers to access users' other online and mobile accounts, if those users use identical user names and passwords. They could also misappropriate other information, including financial information, uploaded by our users in a secure environment. These circumventions may cause interruptions in our operations or damage our brand image and reputation. Our servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could cause system interruptions, website slowdown or unavailability, delays in communication or transactions, or loss of data. We may be required to incur significant additional costs to protect against security breaches or to alleviate problems caused by such breaches. Any significant security breach or attack on our system could result in a material adverse impact on our reputation, business prospects and results of operations.

***The successful operation of our business depends upon the performance and reliability of the internet infrastructure in China and the safety of our network and infrastructure.***

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. A more sophisticated internet infrastructure may not develop in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's internet infrastructure. In addition, the internet infrastructure in China may not support the demands associated with continued growth in internet usage. Although we believe we have sufficient controls in place to prevent intentional disruptions, we expect our network and infrastructure may experience attacks specifically designed to impede the performance of our products and services, misappropriate proprietary information or harm our reputation. Because the techniques used by hackers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate them effectively. The theft, unauthorized use or publication of our trade secrets and other confidential business information as a result of such an event could adversely affect our competitive position, brand reputation and user base, and our users and customers may assert claims against us related to resulting losses arising from security breaches. Our business could be subject to significant disruption and our results of operations may be affected.

***We may not be able to regain our profitability in the future. In addition, we may not be able to obtain additional capital in a timely manner or on acceptable terms, or at all.***

We have incurred operating losses before and we may not be able to regain our profitability in the future as we continue to develop our internet business and invest in artificial intelligence. Our future revenue growth and profitability will depend on a variety of factors, many of which are beyond our control. These factors include our ability to successfully continue to timely anticipate and adequately address the evolving needs of our users, customers and business partners, as well as our ability to attract new users, increase user engagement, effectively design and implement monetization strategies, and compete effectively and successfully. Our ability to achieve and sustain profitability is also affected by market and regulatory development related to, among others, mobile applications, online marketing and artificial intelligence In addition, if we are unable to achieve profitability again, it may become more difficult for us to raise sufficient capital to satisfy our anticipated capital expenditures and other cash needs, in which case our business, results of operations and financial condition may be materially adversely affected.

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

We adopted a share award scheme in May 2011, as amended in September 2013 and November 2016, a 2013 equity incentive plan in January 2014, a 2014 restricted shares plan in April 2014, a 2023 share incentive plan in April 2023, or the 2023 Plan, and several equity incentive plan of our subsidiaries, pursuant to which we are authorized to grant options, restricted shares and other awards to our directors, officers, other employees and consultants, as each plan may provide. See "Item 6. Directors, Senior

Management and Employees—B. Compensation—Share Incentive Awards." In 2020, 2021 and 2022, we recorded RMB81.0 million, RMB7.2 million and RMB7.9 million (US$1.1 million), respectively, of share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based incentive awards we granted, and the recognition of unrecognized share-based compensation expenses will depend on the forfeiture rate of our unvested share-based awards. Expenses associated with share-based compensation have affected our net income and may reduce our net income in the future, and any additional securities issued pursuant to share-based incentive awards will dilute the ownership interests of our shareholders, including holders of the ADSs. We believe the granting of share-based incentive awards is of significant importance to our ability to attract and retain key personnel, employees and consultants, and we will continue to grant share-based incentive awards in the future. As a result, our share-based compensation expenses may increase, which may have an adverse effect on our results of operations.

***We may be the subject of anti-competitive, harassing or other detrimental conduct that could harm our reputation and cause us to lose users and customers and adversely affect the price of the ADSs.***

We may be the target of anti-competitive, harassing or other detrimental conduct by third parties. Allegations, directly or indirectly against us or any of our executive officers, may be posted on the internet, including on social media, blogs, micro-blogs, or websites by anyone, whether or not well-founded, on an anonymous basis. In addition, third parties may file complaints, anonymous or otherwise, to regulatory agencies. We may be subject to regulatory or internal investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, our reputation could be harmed as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose users and customers and adversely affect our business and results of operations.

***If we fail to implement effective system of internal controls to remediate our material weakness over financial reporting, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud, and investor confidence and the market price of the ADSs may be materially and adversely affected.***

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on our internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting. In addition, the independent registered public accounting firm auditing the financial statements of a company that is not a non-accelerated filer, emerging growth company or smaller reporting company under Rule 12b-2 of the Exchange Act must also attest to the operating effectiveness of the company's internal controls.

As a non-accelerated filer, we are not required to have our independent registered public accounting firm audit our internal controls over financial reporting. As such, we cannot assure you that our independent registered public accounting firm will attest that internal control over financial reporting is effective in future fiscal years. Without this attestation, investors may lose confidence in our reported financial information, which could lead to a decline in the price of our ADSs, limit our ability to access the capital markets in the future, and require us to incur additional costs to improve our internal control over financial reporting and disclosure control systems and procedures. Further, if lenders and other debt financing sources lose confidence in the reliability of our financial statements, it could have a material adverse effect on our ability to secure replacement or additional financing, or amendments to our existing secured credit facilities, on terms acceptable to us or at all.

In connection with the preparation and external audit of our consolidated financial statements as of and for the year ended December 31, 2022, we concluded that our internal control over financial reporting was ineffective as of December 31, 2022 due to the material weakness which is lack of sufficient expertise in determining fair value measurement for valuation of certain long term investments.

We intend to implement a number of measures to address the material weakness identified in 2022. See "Item 15. Controls and Procedures—Management's Annual Report on Internal Control over Financial Reporting."

However, we can give no assurance that the implementation of these measures will be sufficient to eliminate such material weakness or that material weaknesses in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective internal controls over financial reporting could result in errors in our financial statements that could result in a restatement of our financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, which may result in volatility in and a decline in the market price of the ADSs.

***We have limited business insurance coverage. Any interruption of our business may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our financial condition and results of operations.***

Insurance products available in China currently are not as extensive as those offered in more developed economies. Consistent with customary industry practice in China, our business insurance is limited and we do not carry real property or business interruption insurance to cover our operations. We have determined that the costs of insuring for related risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured damage to our systems or disruption of our business operations could require us to incur substantial costs and divert our resources, which could have an adverse effect on our financial condition and results of operations.

***Any catastrophe, including natural catastrophes, outbreaks of health pandemics or other extraordinary events, could disrupt our business operations.***

Our operations may be vulnerable to interruption and damage from natural or other catastrophes, including earthquakes, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks and similar events. We cannot predict the incidence, timing and severity of such events. If any catastrophe or extraordinary event occurs in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services and products to our users and could decrease demand for our products. Because we do not carry property insurance and significant time could be required to resume our operations, our financial position and results of operations could be materially and adversely affected in the event of any major catastrophic event.

In addition to the impact of COVID-19, our business could be materially and adversely affected by the outbreak of other health pandemics, including influenza A, such as H7N9, severe acute respiratory syndrome (SARS) or other pandemics. Any occurrence of these pandemic diseases or other adverse public health developments in China and other countries where we operate or elsewhere could severely disrupt our staffing or the staffing of our customers or business partners and otherwise reduce the activity levels of our work force and the work force of our customers or business partners, causing a material and adverse effect on our business operations.

**Risks Relating to Our Corporate Structure**

***If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.***

Foreign ownership of internet-based, including mobile-based, businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, distribution of online information, online advertising, distribution and operation of online games through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership of PRC companies that provide internet information services. According to the Special Administrative Measures(Negative List) for Access of Foreign Investment(2021 Version) (the "Negative List (2021 Version)"), foreign investment in internet news information services, online publication services, online audio-visual program services, internet cultural business (except for music) are prohibited, and foreign equity share in a value-added telecommunication business shall not exceed 50% (excluding e-commerce, domestic multi-party communication, store-and-forward, and call center), and the basic telecommunication services shall be controlled by the Chinese party. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the MOC, the SARFT, the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce, or the MOFCOM, in July 2005, foreign investors are prohibited from investing in or operating, among other things, any internet cultural operating entities. Companies providing mobile internet services such as ours are governed by these rules and regulations on internet companies in China.

Cheetah Mobile Inc. is a Cayman Islands holding company with no equity ownership in the VIEs, and we conduct part of our operations through the VIEs. The VIEs, together with their subsidiaries, contributed a portion of our consolidated revenues in the years ended December 31, 2020, 2021 and 2022. We consolidate the VIEs through a series of contractual arrangements that those entities and/or their shareholders signed with our company, our wholly-owned PRC subsidiaries, including but not limited to Beijing Kingsoft Internet Security Software Co., Ltd., or Beijing Security, Conew Network Technology (Beijing) Co., Ltd., or Conew Network. Our contractual arrangements with the VIEs and their shareholders enable us to consolidate the VIEs and give us the obligation to absorb losses and the right to receive benefits of the VIEs, enabling us to consolidate their operating results. For a detailed description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs."

Holders of our Class A ordinary shares or the ADSs hold equity interest in a Cayman Islands holding company, but do not directly or indirectly hold equity interest in the VIEs or their subsidiaries. If the PRC government deems that our contractual arrangements with the consolidated variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. We may not be able to repay our indebtedness, and our shares may decline in value or become worthless, if we are unable to assert our contractual control rights over the assets of the consolidated variable interest entities, which contribute to 31.8% of our revenues in 2022. Our holding company in the Cayman Islands, the consolidated variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government that could affect the enforceability of the contractual arrangements with the consolidated variable interest entities and, consequently, significantly affect the financial performance of the consolidated variable interest entities and our company as a group.

Based on the advice of our PRC legal counsel, Global Law Office, the contractual arrangements among our PRC subsidiaries, the VIEs, their shareholders and us, as described in this annual report, are valid, legal and binding on each of the above-mentioned parties thereto in accordance with the terms of respective contractual arrangements. However, we were further advised by Global Law Office that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, and that these laws or regulations or interpretations of these laws or regulations may change in the future. Furthermore, the relevant government authorities have broad discretion in interpreting and implementing these laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to that of our PRC legal counsel.

If our corporate structure, contractual arrangements and businesses of our company, or our PRC entities, including our PRC subsidiaries and VIEs are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including:

- levying fines or confiscating our income or the income of our PRC entities;
- revoking or suspending the business licenses or operating licenses of our PRC entities;
- shutting down our servers or blocking our platform, discontinuing or placing restrictions or onerous conditions on our operations;
- requiring us to discontinue or restrict our operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our variable interest entities in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be in violation of PRC laws and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our variable interest entities or our right to receive substantially all the economic benefits and residual returns from our variable interest entities and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our variable interest entities in our consolidated financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

Although we believe we, our PRC subsidiaries and the consolidated variable interest entities comply with current PRC laws and regulations, we cannot assure you that the PRC government would agree that our contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. The PRC government has broad discretion in determining rectifiable or punitive measures for non-compliance with or violations of PRC laws and regulations. If the PRC government determines that we or the consolidated variable interest entities do not comply with applicable law, it could revoke the consolidated variable interest entities' business and operating licenses, require the consolidated variable interest entities to discontinue or restrict the consolidated variable interest entities' operations, restrict the consolidated variable interest entities' right to collect revenues, block the consolidated variable interest entities' websites, require the consolidated variable interest entities to restructure our operations, impose additional conditions or requirements with which the consolidated variable interest entities may not be able to comply, impose restrictions on the consolidated variable interest entities' business operations or on their customers, or take other regulatory or enforcement actions against the consolidated variable interest entities that could be harmful to their business. Any of these or similar occurrences could significantly disrupt our or the consolidated variable interest entities' business operations or restrict the consolidated variable interest entities from conducting a substantial portion of their business operations, which could materially and adversely affect the consolidated variable interest entities' business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of any of the consolidated variable interest entities that most significantly impact its economic performance, and/or our failure to receive the economic benefits

from any of the consolidated variable interest entities, we may not be able to consolidate these entities in our consolidated financial statements in accordance with U.S. GAAP.

***We rely on contractual arrangements with the VIEs and their shareholders for the operation of our business in China, which may not be as effective as direct ownership.***

Because of PRC restrictions on foreign ownership of internet businesses in China, we depend on contractual arrangements with the VIEs, in which we have no ownership interest, to conduct our business in China. These contractual arrangements are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. The shareholders of the VIEs include, but not limited to, Messrs. Sheng Fu, who is also our director, as well as Ms. Weiqin Qiu, Mr. Kun Wang and Mr. Wei Liu. For additional details on these ownership interests, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs." However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, the VIEs and their shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of these VIEs with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if the VIEs or their shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may be time-consuming, unpredictable and expensive. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing them, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See "—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us."

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

On March 15, 2019, the Foreign Investment Law, or the FIL, was adopted and approved by Second Session of the 13th National People's Congress of China. On December 26, 2019, the Implementation Regulation for the Foreign Investment Law of the People's Republic of China, or the FIL Implementing Regulations, was issued by the State Council. Both the FIL and the FIL Implementing Regulations came into force on January 1, 2020. The FIL and the FIL Implementing Regulations, upon taking effect, have replaced the three existing laws on foreign investment (collectively "Three FDI law"), namely, the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises, and become a fundamental law of China in the foreign investment area, setting forth the basic legal framework in this regard.

According to the FIL, foreign investment may be conducted through the following four ways: (i) foreign investor, independently or jointly with other investors, set up foreign-invested enterprises in China, (ii) foreign investors obtain shares, equities, property shares or other similar rights and interests of Chinese domestic enterprises, (iii) foreign investor, independently or jointly with other investors, invests in a new project (the "Project Investment") and (iv) other forms stipulated under laws, administrative regulations and provisions of the State Council. For more details, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Investment". It is worth noting that the FIL has removed the "variable interest equity" or VIE structure from the definition of foreign investment and cancelled the standard of "actual control" to identify the foreign investment as was introduced in the draft of the proposed Foreign Investment Law published by the MOFCOM in 2015, or the 2015 Draft.

Notwithstanding the above, the FIL stipulates that foreign investment include "other forms stipulated under laws and regulations", a catch-all clause which needs to be further clarified as to whether the VIE structure will be interpreted to fall within it. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may stipulate VIE structure as a form of foreign investment, at which time it will be uncertain whether the VIE structure through which we conduct our operations will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned VIE structure will be handled.

Certain services we provide and businesses we operate through the VIEs are subject to the foreign investment restrictions or prohibitions set forth in the Negative List (2021 Version). Where a foreign investor invests in a field or sector that is prohibited under the Negative List, it will be ordered to stop the investment activities, dispose of the shares or assets or take other necessary measures within a specified time limit, and restore to the status to be prior to the occurrence of the aforesaid investment, and the gains of such foreign investor (if any) will be confiscated by competent authority.

If the VIE structure is deemed to be a form of foreign investment as interpreted by the FIL or future laws and regulations, we may be required to dispose of our subsidiaries, or have to take other actions to adjust our corporate structure and operations, which could have an adverse effect on our corporate structure, financial conditions and business operations.

The FIL also establishes several administration systems for foreign investment, amongst others, the information reporting system. Foreign investors or FIEs are required to submit investment information to the competent authorities through the system of enterprises registration and enterprise credibility disclosure. The FIL clearly stipulates that any company found to be non-compliant with these information reporting obligations is subject to fines and other penalties. On December 30, 2019, the MOFCOM and SAMR issued the Measures of Information Report of Foreign Investment, or the FI Information Report Measures, according to which foreign investors establishing foreign investment enterprises in China shall submit an initial report through the Enterprise Registration System at the time of completion of registration formalities for establishment of foreign investment enterprises.

Where there is a change in the information in the initial report which involves change registration (filing) of the enterprise, the FIE shall submit the change report through the enterprise registration system at the time of completion of change registration (filing) for the enterprise. In addition, FIEs are required to submit their annual reports for the previous year through the National Enterprise Credit Information Publicity System from January 1 to June 30 each year. The MOFCOM and its local departments shall supervise and inspect the compliance with the FI Information Report Measures, through random inspection and other methods.

The Foreign Investment Law and the FI Information Report Measures may also impact our corporate governance practice and increase our compliance costs. For instance, the Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment initial report and change report that are required at each investment and alteration of investment specifics, an annual report is mandatory. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

***Our contractual arrangements with the VIEs may result in adverse tax consequences to us.***

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, the VIEs, their shareholders and us, we are effectively subject to PRC value-added tax and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with the VIEs. The PRC Enterprise Income Tax Law, or the EIT Law, requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. In addition, on March 18, 2015, the State Administration of Taxation, or the SAT, issued the Bulletin Regarding the Enterprise Income Tax Matter in Relation to Enterprise's Payment of Fees to Overseas Affiliated Parties, or the Bulletin 16, to further regulate the transfer pricing issues in relation to the fees payment to affiliated parties. Among other things, the Bulletin 16 makes it clear that the fees paid to overseas affiliated parties in the following situations cannot be deducted from the taxable income when determining a PRC company's enterprise income tax: (a) the fees paid to an overseas affiliated party which has no substantial operating activities; (b) the fees paid to an overseas affiliated party for labor service that would bring direct or indirect economic interests; (c) royalties paid for intangible properties to which the affiliated party that charges the fees only has legal title but has made no contribution to the creation of the value of such properties; and (d) the fees paid under arrangements made for listing or financing purposes. Furthermore, on March 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures, or Bulletin 6, which become effective as of May 1, 2017. The Bulletin 6 specifies further the provisions in Bulletin 16, regulating the basic rules about the income distribution of intangible properties, payments for labor service and no substantial operating activities and so on. Meanwhile, it abolished the application of Bulletin 16 since May 1, 2017. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and the VIEs were not on an arm's length basis and therefore constituted improper transfer pricing arrangements. If this occurs, the PRC tax authorities could request that the VIEs and any of their respective subsidiaries adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by reducing expense deductions recorded by such VIEs and thereby increasing these entities' tax liabilities, which could subject these entities to late payment fees and other penalties for the underpayment of taxes. Our consolidated net income may be adversely affected if the VIEs' tax liabilities increase or if they become subject to late payment fees or other penalties.

***The shareholders of the VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business.***

The shareholders of the VIEs include, but not limited to, Messrs. Sheng Fu who is also our director, as well as Ms. Weiqin Qiu, Mr. Kun Wang and Mr. Wei Liu. Conflicts of interest may arise between their roles as shareholders, directors or officers of our

company and as shareholders of the VIEs. We rely on these individuals to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to our company to act in good faith and in the best interest of our company and not to use their positions for personal gain. Although the shareholders of the VIEs have executed shareholder voting proxy agreements to irrevocably appoint our company or a person designated by our company to vote on their behalf and exercise voting rights as shareholders of the VIEs, we cannot assure you that when conflicts arise under those agreements or otherwise, the shareholders of the VIEs will act in the best interest of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

***Kingsoft Corporation, one of our principal shareholders, and our founders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders, which may discourage, delay or prevent a change in control of our company and could deprive our shareholders of an opportunity to receive a premium for their securities.***

As of March 31, 2023, Kingsoft Corporation, one of our principal shareholders, and Mr. Sheng Fu, directly or through their holding vehicles, together beneficially own an aggregate of 53.4% of our total outstanding Class A and Class B shares, and 72.3% of the total voting power. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of any contemplated sale of our company and may reduce the price of our ADSs. Furthermore, in the event that the voting proxy agreement between Kingsoft Corporation and Mr. Sheng Fu is terminated, we may become a consolidated subsidiary of Kingsoft Corporation, which is a Cayman Islands company publicly listed on the Hong Kong Stock Exchange. As a result, we may be subject to rules and regulations promulgated by the Hong Kong Stock Exchange, and Kingsoft Corporation will be able to exert greater influence over us, which may lead to potential conflicts of interest between Kingsoft Corporation and us involving arrangement of our board composition, disposal of equity interest in our company and allocation of business opportunities, among other matters.

***We may lose the ability to use and enjoy vital assets held by the VIEs if they go bankrupt or become subject to a dissolution or liquidation proceeding.***

Some of the VIEs hold certain assets that are essential to the operations of our platform and important to the operation of our business in China, such as the ICP Licenses, patent applications and software copyrights for the proprietary technology. If any of these entities goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of such entities undergoes a voluntary or involuntary liquidation proceeding, the unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

**Risks Relating to Doing Business in China**

***Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.***

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, certain administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Furthermore, the PRC legal system is based in part on government policies some of which are not published or not on a timely basis. As a result, we may not be aware of any violation of these policies and rules until after such violation. Such unpredictability, including uncertainty as to the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

***Failure to meet the PRC government's complex regulatory requirements on our business operation could have a material adverse effect on our operations and the value of our ADSs.***

We conduct our business primarily through the consolidated variable interest entities and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the conduct of our business according to the laws and regulations of mainland China. However, since the PRC legal system continues to rapidly evolve and many laws and regulations are relatively new, the interpretation and enforcement of these laws, regulations and rules involve uncertainties. The PRC government has recently published new policies that significantly affected certain industries and we cannot rule out the possibility that it will in the future release regulations or policies that directly or indirectly affect our industry or require us to seek additional permission to continue our operations, which could result in a material adverse change in our operation and/or the value of our ADSs.

***The approval of and filing with the CSRC or other PRC government authorities may be required in connection with our future offshore offerings under PRC law, and, if required, we cannot predict whether or for how long we will be able to obtain such approval or complete such filing.***

On February 24, 2023, CSRC and the other relevant PRC government authorities issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the "Confidentiality and Archives Administration Provisions"), which became effective on March 31, 2023, according to which a domestic company, including a joint-stock company incorporated domestically that conducts direct overseas offering and listing, and a domestic operating entity of a company that conducts indirect overseas offering and listing, its securities in an overseas market shall strictly abide by applicable PRC laws and regulations, enhance legal awareness of keeping state secrets and strengthening archives administration, institute a sound confidentiality and archives administration system, and take necessary measures to fulfill confidentiality and archives administration obligations.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Lawfully and Severely Combating Illegal Securities Activities. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. For more details of the relevant regulations, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Overseas Offering and Listing."

On December 28, 2021, twelve regulatory authorities jointly released the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. New York Stock Exchange fall within the definition of "abroad" in the provision, however, we are already listed on the New York Stock Exchange, therefore, there can be no assurance if we are required to follow the Cybersecurity review or the security assessment procedures, and if so, whether we would be able to complete the applicable cybersecurity review or the security assessment procedures in a timely manner. For more details of the relevant regulations, see "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Overseas Offering and Listing."

In addition, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that approval and filing from the CSRC or other regulatory authorities or other

procedures, including the Cybersecurity review under the Cybersecurity Review Measures and the draft of Regulations on the Network Data Security, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to obtain such approval or complete such filing procedures and any such approval or filing could be rescinded or rejected. Any failure to obtain or delay in obtaining such approval or completing such filing procedures for our offshore offerings, or a rescission of any such approval or filing if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or filing or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our listed securities. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of our listed securities.

***A severe or prolonged downturn in the global economy could materially and adversely affect our business and financial condition.***

COVID-19 has had a severe and negative impact on the Chinese and the global economy since 2020. Since the outbreak of COVID-19 in early 2020, the Chinese government had, and may continue to, take certain emergency measures, including implementation of travel bans, blockade of certain roads, regional shutdown, and stay-at-home orders, to control the spread of COVID-19. Especially, the situation became more severe since 2022 due to the higher infectivity of COVID-19 Omicron. Our operating efficiency and capacity have been adversely affected by the COVID-19 pandemic. Although Chinese economy recovered to some degree in 2022 and China began to modify its COVID-19 control policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022, there remains substantial uncertainty about the future dynamic of the COVID-19 pandemic, which may have potential continuing impacts on subsequent periods, if the global pandemic and the resulting disruption were to extend over a prolonged period. The global spread of COVID-19 pandemic in major countries of the world may also result in global economic distress, and the extent to which it may affect our results of operations will depend on future developments of the COVID-19 pandemic, which are highly uncertain and difficult to predict.

Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. The conflicts in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Any severe or prolonged slowdown in the global economy may materially and adversely affect our business, results of operations and financial condition.

***We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies.***

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry, including mobile internet companies. These internet-related laws and regulations are evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of the internet business include, but are not limited to, the following:

On July 13, 2006, the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services. This circular requires foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license, and prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in China. According to this circular, either the holder of a value-added

telecommunications business operation license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunications services. The circular also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. However, due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact such circular will have on us or the other PRC internet companies with similar corporate and contractual structures.

There is uncertainty relating to the evolving licensing practices and the requirement for real-name registrations. For example, we were previously required under the PRC law to request users to provide their real names and personal information only in regard to the bulletin board system services that we provided in support of our applications and online game operations. However, pursuant to the Administrative Measure on Usernames of Internet Users' Accounts, which became effective in March 2015, we are required to request users to provide their real names and personal information for user registration regardless of the kind of internet information services that we provide. We cannot assure you that PRC regulators would not require us to implement compulsory real-name registration in the future. Furthermore, we may fail to obtain or renew permits or licenses that are or may be deemed necessary for our operations. See "—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the requisite licenses and approvals or otherwise comply with the laws and regulations under the complex regulatory environment applicable to our businesses in China, or if we are required to take actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected" and "Item 4. Information on the Company— B. Business Overview—Regulations."

The evolving PRC regulatory system for the internet industry may lead to establishment of new regulatory agencies. For example, in August 2014, the CAC took over the administrative role to supervise internet content management in China. Since then, new laws, regulations or policies have been promulgated or announced that regulate internet activities, including internet publication and online advertising businesses, and we may not be able to fully and timely comply with such new laws, regulations or policies. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

In August 2021, the SAMR issued the Provisions on Preventing Unfair Online Competition (Drafts for Public Comments), or the Draft Provisions on Preventing Unfair Online Competition, which detailed the implementation of the PRC Anti-Unfair Competition Law, including specified certain online unfair competition behavior that shall be prohibited. As of the date of this annual report, the Draft Provisions on Preventing Unfair Online Competition has not been formally adopted, and due to the lack of further clarifications, there are still uncertainties regarding the interpretation and implementation of the Draft Provisions on Preventing Unfair Online Competition.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, mobile and PC internet businesses in China, including our business. There are also risks that we may be found to have violated existing or future laws and regulations given the uncertainty and complexity of China's regulation of internet business.

***Content posted or displayed on our mobile and PC platforms and applications such as duba.com, including advertisements, may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.***

The PRC government has adopted regulations governing internet and wireless access and the distribution of information over the internet and wireless telecommunication networks. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as "socially destabilizing" or leaking "state secrets" of the PRC. Meanwhile, the network information content service platforms are required to fulfill their primary responsibilities for management of information contents, and are required not to disseminate any illegal information as mentioned in the Provisions on Governance of the Network Information Content Ecology released by the CAC on December 15, 2019, with effect from March 1, 2020. Also, according to the Administrative Provisions on Mobile Internet Applications Information Services released by the CAC revised on June 14, 2022, APP providers and APP distribution platforms shall perform the primary responsibility for information content management, actively cooperate with the State to implement the strategy of trusted identities in cyberspace, establish sound information content security management systems, information content ecological governance systems, data security and personal information protection systems, minor protection systems and other management systems to ensure cyber security and maintain a good network ecology. Failure to comply with these requirements may result in the revocation of licenses to provide internet content or other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for any censored information displayed on or linked to their

platform, and hence we may also be subject to potential liability for any unlawful actions by our users or customers on our platform. For a detailed discussion, see "Item 4. Information on the Company—B. Business Overview—Regulations."

Since our inception, we have worked to monitor the content on our platform and applications and to make the utmost effort to comply with relevant laws and regulations. However, it may not be possible to determine in all cases the types of content that could result in our liability as a distributor of such content and, if any of the content posted or displayed on our mobile and PC platforms and applications is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. The costs of monitoring the content on our platform and applications may also continue to increase as a result of more content being made available by an increasing number of users and customers on our mobile and PC applications.

In addition, under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform and applications to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. Where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained.

Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While we have made significant efforts to ensure that the advertisements shown on our mobile and PC platforms and applications are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.

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

We are an exempted company incorporated under the laws of the Cayman Islands. However, we conduct most of our operations in China and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China and all of them are PRC nationals. As a result, it may be difficult for you to effect service of process upon us or our management residing in China. In addition, China does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

***It may be difficult for overseas regulators to conduct investigation, collect evidence, or obtain materials or data within China.***

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of mutual and practical cooperation mechanism.

According to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Without the consent of the securities authorities and the relevant competent authorities of the State Council, no entity or individual may provide documents or materials relating to securities business activities to overseas. Also, according to Article 36 of the Data Security Law, which became effective in September 2021, the competent authority of the People's Republic of China shall, in accordance with the relevant laws or the international treaties and agreements concluded or acceded to by the People's Republic of China, or on the principle of equality and reciprocity, handle the requests for provision of data from foreign judicial or law enforcement organizations. Without the approval of the competent authorities of the People's Republic of China, no organization or

individual shall provide the data stored within the territory of the People's Republic of China to foreign judicial or law enforcement organizations. In addition, according to Article 4 of the Measures for the Security Assessment of Outbound Data Transfers, which became effective in September 2022, for an outbound data transfer by a data processor that falls under specific circumstances, the data processor shall apply to the national cyberspace administration authority for the security assessment via the local provincial-level cyberspace administration authority. While detailed interpretation of or implementation rules have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation, evidence collection, or data acquisition activities within China may further increase difficulties faced by you in protecting your interests. See also "—Risks Relating to the ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law" for risks associated with investing in us as a Cayman Islands company.

***Under the PRC Enterprise Income Tax Law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.***

Under the EIT Law, which became effective on January 1, 2008 and as amended and being effective since December 2018, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, on July 27, 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. The SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities' procedures.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 specifies that, when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners. For more details of the relevant regulations, see "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation."

If the PRC tax authorities determine that we or any of our non-PRC subsidiaries is a PRC resident enterprise for PRC enterprise income tax purposes, then we or any such non-PRC subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

In that case, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as "tax-exempt income" under the EIT Law, we cannot assure you that dividends by our PRC subsidiaries to our non-PRC holding companies will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

If the PRC tax authorities determine that our company is a PRC resident enterprise for PRC enterprise income tax purposes, dividends paid by us to non-PRC holders may be subject to PRC withholding tax, and gains realized on the sale or other disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in the ADSs.

***We face uncertainties with respect to indirect transfer of assets or equity interest in PRC resident enterprises by their non-PRC holding companies.***

We face uncertainties regarding the reporting on and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. On February 3, 2015, SAT issued a new guidance (Bulletin [2015] No. 7), or SAT Bulletin 7, on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise. Further, on October 17, 2017, SAT issued the Matters Regarding Withholding Corporate Income Tax at Source from Non-resident Enterprises (Bulletin [2017] No. 37), or SAT Bulletin 37. According to SAT Bulletin 7 and SAT Bulletin 37, when a non-resident enterprise engages in an indirect transfer of Chinese Taxable Assets, or Indirect Transfer, through an arrangement that does not have a bona fide commercial purpose in order to avoid paying enterprise income tax, the transaction should be re-characterized as a direct transfer of the Chinese assets and becomes taxable in China under the EIT Law, and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%, and the party who is obligated to make the transfer payments has the withholding obligation. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulation on Tax" and "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation" for further details. There is uncertainty as to the application of SAT Bulletin 7 and 37. SAT Bulletin 7 and 37 may be determined by the tax authorities to be applicable to the transfer of shares of our company by non-PRC resident investors, or the sale or purchase of shares in other non-PRC resident companies or other taxable assets by us, if any of such transactions were determined by the tax authorities to lack any reasonable commercial purpose. As a result, depending on whether we are the transferor or transferee in such transactions, we or the non-resident investors may become at risk of being taxed under SAT Bulletin 7 and 37, and we may have to incur expenses to comply with SAT Bulletin 7 and 37, including the withholding and reporting obligations thereunder, or to establish that we should not be taxed under the general anti-avoidance rule of the EIT Law, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors' investments in us.

***If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.***

The Chinese government has provided various tax incentives to our subsidiaries and VIEs in China. These incentives include reduced enterprise income tax rates. For example, under the EIT Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, an enterprise holding a valid certificate of new software enterprise or animation enterprise is entitled to an exemption of enterprise income tax for the first two years and a 50% reduction of enterprise income tax for the subsequent three years, commencing from the first profit-making year, while an enterprise qualified as key software enterprise can enjoy a preferential EIT rate of 10%. In addition, enterprises that are granted the high and new technology enterprises status, as well as those that qualified as encouraged industrial enterprises and meet the substantive operational requirements located in HengQin area of Zhuhai City , shall enjoy a favorable income tax rate of 15%. Certain of our PRC subsidiaries and VIEs were eligible for preferential tax treatments as new software enterprises, animation enterprise and/or high and new technology enterprises. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation." Any increase in the enterprise income tax rate applicable to our PRC entities in China, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC entities in China, could adversely affect our business, financial condition and results of operations. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

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

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.

The M&A Rules requires that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person (the "Affiliated M&A"), the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, on August 25, 2011, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Regulations, which became effective on September 1, 2011, to implement the Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the MOFCOM Security Review Regulations, the MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the MOFCOM decides that a specific merger or acquisition is subject to security review, it will submit it to the Inter-Ministerial Panel, an authority established under the Circular 6 led by the NDRC and the MOFCOM under the leadership of the State Council, to carry out security review. Prior the promulgation of the Foreign Investment Law or the FIL, only principal provisions are scattered and mentioned in few articles of regulations. In this context, FIL officially established safety review system for foreign investment at the level of law for the first time. Article 35 of the FIL stipulates that the State establishes a foreign investment security review system to conduct security review on foreign investments which have or may have an impact on national security. The safety review decision made in accordance with the law is final.

The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in online marketing or mobile games business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

On December 19, 2020, the NDRC and the MOFCOM promulgated Measures for Security Review of Foreign Investment, or the Security Review Measures, being effective from January 18, 2021. According to the Security Review Measures, the state shall establish a working mechanism for the security review of foreign investment (the "Security Review Mechanism") in charge of organization, coordination, and guidance of foreign investment security review. A working mechanism office shall be established under the NDRC and led by the NDRC and the MOFCOM to undertake routine work on the security review of foreign investment. According to the Security Review Measures, in terms of foreign investments falling in the scope such as important cultural products and services, important information technologies and Internet products and services, important financial services, key technologies and other important fields that concern state security while obtaining the actual control over the enterprises invested in, a foreign investor or a party concerned in the PRC shall take the initiative to make a declaration to the working mechanism office prior to making the investment.

We have grown and may continue to grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

***PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.***

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Round-trip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014. SAFE Circular 37 requires PRC residents that directly establish or indirectly control offshore special purpose vehicles, or SPVs, for the purpose of seeking offshore investment and financing and conducting round trip investment in China, to register with the SAFE or its local branch in connection with their ownership in the SPVs, and to amend the SAFE registrations to reflect any subsequent changes thereof.

To our knowledge, all our significant individual PRC shareholders have completed foreign exchange registration. However, we may not be fully informed of the identities of all our beneficial owners who are PRC citizens or residents, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents have complied with and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. If our shareholders or beneficial owners who are PRC citizens or residents

fail to complete their SAFE registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

***Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.***

On February 15, 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by the SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options have been subject to these regulations upon the completion of the initial public offering in May 2014. Failure of our PRC stock option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business. In addition, this Notice issued by the SAFE only covers two categories of equity incentive plans, i.e., employee stock ownership plans and stock option plans. As a result, we also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC laws and regulations if we adopt other employee equity incentive plans in the future.

***PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from loans to our PRC entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through our PRC entities, including PRC subsidiaries and VIEs. We may make loans to our PRC entities, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these financing means are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the SAFE. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to the VIEs, which are PRC domestic companies. Further, we are not likely to finance the activities of the VIEs by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in mobile internet services, online advertising, online games and related businesses.

On March 30, 2015, the SAFE promulgated the Circular on the Reform of the Administrative Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 19, which became effective as of June 1, 2015. Among other things, under Circular 19, foreign-invested enterprises may either continue to follow the payment-based foreign currency settlement system or elect to follow the so-called "conversion-at-will" of foreign currency settlement system. On October 23, 2019, the SAFE promulgated the Notice of Foreign Exchange of Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, and the Notice of the State Administration of Foreign Exchange on Reducing Foreign Exchange Accounts, or SAFE Circular 29, clearly cancelling the restrictions on domestic equity investment of capital funds by ordinary foreign-invested enterprises. For detailed information, please see "Item 4. Regulations—Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution."

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

***We may rely on dividends paid by our subsidiaries, including PRC subsidiaries, to fund any cash and financing requirements we may have. Any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to holders of the ADSs and our ordinary shares.***

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

With respect to our PRC subsidiaries, under PRC laws and regulations, wholly foreign-owned enterprises in the PRC, such as Conew Network and Zhuhai Juntian Electronic Technology Co., Ltd., or Zhuhai Juntian, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the board of directors of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends. On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the People's Republic of China, or FIL, which became effective on January 1, 2020. The FIL sets out that the business forms, structures, and rules of activities of foreign-funded enterprises shall be governed by the Company Law of the People's Republic of China, the Partnership Law of the People's Republic of China, and other laws. Foreign-funded enterprises formed under the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises before the implementation of FIL Law may maintain their original business forms, among others, for five years after FIL Law comes into force.

According to the Company Law, if the aggregate balance of our statutory common reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph. After we have drawn statutory common reserve, which is 10% of the after-tax profit, from the after-tax profits, it may, upon a resolution made by the shareholders' meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders in proportion to the actual capital contribution actually paid by them, unless otherwise agreed upon by all the shareholders. We may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of our registered capital. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution" for further details.

Any limitation on the ability of our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the EIT Law and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

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

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

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from our initial public offerings or convertible senior notes offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments

for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

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

The PRC government imposes control on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive part of our revenues in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

***Increases in labor costs in the PRC may adversely affect our business and our profitability.***

China has experienced increases in labor costs in recent years. China's overall economy and the average wage in China are expected to continue to grow. The average wage level for our employees has also increased in recent years.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing allowance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, which became effective in January 2008 and its implementation rules effective as of September 2008, both of which were amended on July 1, 2013, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011, and was respectively amended on December 29, 2018. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

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

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

Under PRC law, legal documents for corporate transactions are executed using the chops or seals of the signing entity, or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the State Administration for Industry and Commerce, or the SAIC which has been restructured and named to the State Administration for Market Regulation, or the SAMR.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC entities have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. Some designated legal representatives of our PRC entities are members of our senior management team who have signed employment undertaking letters with us or our PRC entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and the chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel of each of our PRC entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC entities, we or our PRC entities would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

***The ADSs may be prohibited from trading in the United States under the HFCAA if the PCAOB is unable to inspect or fully investigate our auditor. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.***

Trading in our securities on U.S. markets, including the OTC market, may be prohibited under the HFCAA, if the PCAOB, determines that it is unable to inspect or investigate completely our auditor for two consecutive years. On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong, or the 2021 Determinations. As of the date of this annual report, our auditor is not included in the Determinations. However, Ernst & Young Hua Ming LLP, or EY, our former auditor, is a registered public accounting firm headquartered in mainland China, a jurisdiction where the PCAOB determined that it had been unable to inspect or investigate completely registered public accounting firms headquartered there until December 2022 when the PCAOB vacated its previous determination. Therefore, we have been identified as a "Commission-Identified Issuer" shortly after the filing of our annual report on Form 20-F in August 2022.

On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong in 2022 and vacated the 2021 Determinations accordingly. As a result, we do not expect to be identified as a "Commission-Identified Issuer" under the HFCAA for the fiscal year ended December 31, 2022 after we file our annual report on Form 20-F for such fiscal year. Accordingly, until such time as the PCAOB issues any new determination, we believe that we are at no risk of having our securities subject to a trading prohibition under the HFCAA.

However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in mainland China and Hong Kong, the inability of the PCAOB to conduct such inspections or investigations could cause existing and potential investors in our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

Our current auditor, Marcum Asia CPAs LLP, or Marcum Asia, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Marcum Asia is headquartered in Manhattan, New York, and has been inspected by the PCAOB on a regular basis with the last inspection in 2020. As of the date of this report, our current auditor is not among the firms listed on the PCAOB Determination List issued in December 2021.

Whether the PCAOB will continue to conduct inspections and investigations completely to its satisfaction of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong is subject to uncertainty and depends on a number of factors out of our, and our auditor's, control, including positions taken by authorities of the PRC. The PCAOB is expected to continue to demand complete access to inspections and investigations against accounting firms headquartered in mainland China and Hong Kong in the future and states that it has already made plans to resume regular inspections in early 2023 and beyond. The PCAOB is required under the HFCAA to make its determination on an annual basis with regards to its ability to inspect and investigate completely accounting firms based in the mainland China and Hong Kong. The possibility of being a "Commission-Identified Issuer" and risk of delisting could continue to adversely affect the trading price of our securities. Should the PCAOB again encounter impediments to inspections and investigations in mainland China or Hong Kong as a result of positions taken by any authority in either jurisdiction,

the PCAOB will make determinations under the HFCAA as and when appropriate, then such lack of inspection could cause our securities to be delisted from the stock exchange. We cannot assure you that, because our books and records are primarily located in mainland China, we will in the future be able to become an issuer that is not a Commission-Identified Issuer, in which event our ordinary shares and ADSs may not be tradable in any United States stock exchange or market and it may be necessary for us to list on a foreign exchange in order that our ordinary shares can be traded. The prohibition of our ordinary shares and ADSs from trading in the United States would substantially impair your ability to sell or purchase the ADSs when you wish to do so. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

**Risks Relating to the ADSs**

***The trading price of our ADSs has been volatile and may continue to be volatile regardless of our operating performance.***

The trading price of our ADSs has been and may continue to be subject to wide and sudden fluctuations due to factors including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures by us or our competitors;
- announcements of disposal of business or assets;
- announcements of new services and expansions by us or our competitors;
- announcement of termination of partnership by important customers/vendors;
- changes in financial estimates by securities analysts;
- fluctuations in our user or other operating metrics;
- fluctuations in the stock price of Kingsoft Corporation, one of our principal shareholders, or news about Kingsoft Corporation that has an impact on us;
- failure on our part to realize monetization opportunities as expected;
- changes in revenues generated from our top customers;
- additions or departures of key personnel;
- detrimental negative publicity about us, our management, our competitors or our industry;
- short seller reports that make allegations against us or our affiliates, even if unfounded;
- regulatory developments affecting us or our industry; and
- potential litigation or regulatory investigations.

The Staff of the Division of Enforcement of the SEC conducted an investigation relating to our disclosures for fiscal year 2015 regarding our relationship with one of our advertising business partners. The SEC investigation also related to Rule 10b5-1 trading plans entered into by certain of our current and former officers and directors and sales of our ADS under those plans in 2015 and 2016. On September 21, 2022, our Chairman of the Board and Chief Executive Officer, Mr. Sheng Fu, reached a resolution with the SEC. To our knowledge, pursuant to the terms of the settlement, Mr. Fu has consented to the entry of a cease and desist order with the SEC on a "neither admit nor deny" basis that would require him to refrain from violating (i) Section 17(a)(2) and (3) of the Securities Act of 1933, and (ii) Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, and 13a-1 thereunder. The terms of the settlement between Mr. Fu and the SEC also include payment of a civil money penalty in the amount of $556,580 and certain compliance undertakings. We were not a party to the settlement. The SEC informed us that it had concluded its investigation with respect to us and did not intend to recommend an enforcement action. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings."

In addition, the price of the ADSs may fluctuate due to broad market and industry factors, such as the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial declines in trading price. The trading performance of these Chinese companies' securities after their offerings, including the securities of companies in the mobile and PC internet businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of the ADSs, regardless of our actual operating performance. In addition, any negative news or

perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions between late 2008 and 2012, which may have a material adverse effect on the market price of the ADSs.

***Our ADSs may be delisted from the New York Stock Exchange as a result of our failure of meeting the New York Stock Exchange continued listing requirements.***

We are required to meet certain quantitative tests as well as corporate governance and other qualitative standards to maintain the listing of our ADSs on the NYSE. It is possible that we could fail to satisfy one or more of these requirements.

Pursuant to NYSE rule 802.01C, a company is considered to be below compliance standards if the average closing price of a security as reported on the consolidated tape is less than $1.00 over a consecutive 30 trading-day period. We received a letter from the NYSE dated April 15, 2022, notifying us that we were below the foregoing compliance standard. Pursuant to NYSE rule 802.01C, once notified, a company must bring its share price and average share price back above $1.00 within six months following receipt of the notification. If on the last trading day of any calendar month during the cure period the company has a closing share price of at least $1.00 and an average closing share price of at least $1.00 over the 30 trading-day period ending on the last trading day of that month, then the company can regain compliance at any time during the six-month cure period. In the event that at the expiration of the six-month cure period, both a $1.00 closing share price on the last trading day of the cure period and a $1.00 average closing share price over the 30 trading-day period ending on the last trading day of the cure period are not attained, the NYSE will commence suspension and delisting procedures. We changed the ratio of our ADS to Class A ordinary share from one (1) ADS representing ten (10) Class A ordinary shares to one (1) ADS representing fifty (50) Class A ordinary shares, effective September, 2, 2022. We have regained compliance with the NYSE standards because subsequent to receipt of the letter, our ADSs traded above US$1.00 over a consecutive 30 trading-day period. However, there can be no assurance that we will always be compliant with such standards going forward.

Furthermore, there can be no assurance that we will be able to maintain compliance with any other continued listing requirements of the NYSE. In the event of deficiency or non-compliance, we could receive notices from the NYSE and suffer loss of investor confidence and trading price decline. If we fail to regain compliance in time, we could face trading suspension or even delisting from the NYSE, which could make it more difficult to obtain accurate quotations of and to buy or sell our securities, and the price of our securities could suffer further significant decline. Delisting may also impair our ability to raise capital and harm our reputation.

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

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

***The sale or perceived sale of substantial amounts of our ADSs or ordinary shares could adversely affect their market price.***

Sales of substantial amounts of our ADSs in the public market, sales of our ordinary shares, or the perception that these sales could occur, could adversely affect the market price of the ADSs and could materially impair our ability to raise capital through equity offerings in the future. Ordinary shares held by our pre-IPO shareholders may be sold in the public market subject to the restrictions in Rule 144 under the Securities Act. In addition, ordinary shares issued pursuant to our share incentive plans are eligible for sale in the public market subject to restrictions of Rule 144 under the Securities Act or through registration under the Securities Act, as applicable. In addition, we have granted certain shareholders Form F-3 registration rights and the piggyback registration rights. Registration of these shares under the Securities Act may result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Any market sales of securities held by our significant shareholders or any other shareholder may have an adverse impact on the market price of the ADSs.

***Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.***

Our currently effective fourth amended and restated articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights, and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, represented by ADSs or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our ordinary shares and the ADSs may be materially and adversely affected.

***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance rules; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the NYSE corporate governance rules. In addition, we are also a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.***

The NYSE corporate governance rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance rules. Currently, we rely on home country practice exemption with respect to the requirements for an audit committee composed of at least three members and annual shareholders' meeting and did not hold an annual shareholders' meeting in 2022. As we rely on the home country practice exemption as described above, our investors may have less protection afforded to shareholders of companies that fully comply with NYSE corporate governance requirements. We may also opt to rely on additional home country practice exemptions in the future.

Furthermore, because we qualify as a foreign private issuer under the Securities Exchange Act of 1934, as amended, or the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (iii) the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. As a result, you may not be provided with the same benefits as a shareholder of a U.S. domestic company.

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

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

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our existing articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. Currently, we do not plan to rely on home country practice with respect to any corporate governance matter. However, if we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

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

***Judgments obtained against us by our shareholders may not be enforceable in our home jurisdiction.***

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

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

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

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which are carried by the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the Class A ordinary shares underlying your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our fourth amended and restated memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders to convene a general meeting is fourteen calendar days. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to permit you to withdraw the Class A ordinary shares underlying your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to cast your vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. Furthermore, under our fourth amended and restated memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the Class A ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the Class A ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the Class A ordinary shares underlying your ADSs are voted, and you may have no legal remedy if the Class A ordinary shares underlying your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

***The depositary for the ADSs will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs if you do not give voting instructions to the depositary to direct how the Class A ordinary shares underlying your ADSs are voted, except in limited circumstances, which could adversely affect your interests.***

Under the deposit agreement for the ADSs, if you do not give voting instructions to the depositary to direct how the Class A ordinary shares underlying your ADSs are voted, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings unless:

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

The effect of this discretionary proxy is that if you do not give voting instructions to the depositary to direct how the Class A ordinary shares underlying your ADSs are voted, you cannot prevent the Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our Class A and Class B ordinary shares are not subject to this discretionary proxy.

***Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of the ADSs for return on your investment.***

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

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

Accordingly, the return on your investment in the ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no guarantee that the ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in the ADSs and you may even lose your entire investment in the ADSs.

***You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.***

The depositary of the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying the ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of

ADSs. This means that you may not receive distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of the ADSs.

***You may not be able to participate in rights offerings and may experience dilution of your holdings.***

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

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

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Save for certain limited exceptions, upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. All of the ordinary shares held by our shareholders prior to the completion of the initial public offering were re-designated as Class B ordinary shares upon completion of the offering. Kingsoft Corporation, one of our principal shareholders, and Mr. Sheng Fu, directly or through their holding vehicles, beneficially own an aggregate of 53.4% of our total outstanding shares, representing 72.3% of our total voting power as of March 31, 2023, which give them considerable influence over matters requiring shareholders' approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

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

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

***We have incurred increased costs as a result of being a public company, and the costs may continue to increase in the future.***

As a public company, we have incurred significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the NYSE, impose various requirements on the corporate governance practices of public companies. These rules and regulations increase our legal and financial compliance costs and some corporate activities more time-consuming and costly. For example, in comparison with a private company, we need an increased number of independent directors and have to adopt policies regarding internal controls and disclosure controls and procedures. In addition, we incur additional costs associated with our public company reporting requirements. We expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC and the NYSE.

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

We and certain of our current and former officers were named as defendants in PCAOB putative securities class actions filed on June 25, 2020 and July 31, 2020 respectively in the U.S. District Court for the Central District of California. On August 24, 2020, the Court consolidated the two cases under the caption *In re: Cheetah Mobile, Inc. Securities Litigation* (Case No. 2:20-cv-05696). On

March 15, 2021, the plaintiffs filed an amended complaint, in which they sought to represent a class of persons who allegedly suffered damages as a result of their trading in our ADRs between April 26, 2017 and March 24, 2020. The action alleged that we made false or misleading statements regarding our business and operations in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On March 30, 2022, the Court granted the Company's motion to dismiss, but gave the plaintiffs leave to amend. On May 6, 2022, the parties reached a stipulation, pursuant to which the plaintiffs voluntarily dismissed the claims asserted in the action, and agreed that they would not amend the complaint or appeal the Court's order. The case is now closed. Lawsuits such as this one could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuit. Any such lawsuit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim against us is successful, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations. Furthermore, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business, financial condition or results of operations.

***We believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2022, and we will likely be classified as a PFIC for our current taxable year, which could subject United States investors in the ADSs or Class A ordinary shares to significant adverse United States income tax consequences.***

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

Based on the market price of our ADSs and the composition of our assets (in particular the substantial amount of cash and investments), we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2022, and we will likely be a PFIC for our current taxable year unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

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

## Item 4. Information on the Company

### A. History and Development of the Company

Our company is a holding company incorporated in the Cayman Islands in July 2009 as a wholly-owned subsidiary of Kingsoft Corporation, a Cayman Islands company publicly listed on the Hong Kong Stock Exchange (Stock Code: 3888) since October 2007. We changed our name from the previous Kingsoft Internet Software Holdings Limited to Cheetah Mobile Inc. in March 2014.

In August 2009, we established our wholly-owned Hong Kong subsidiary, Cheetah Technology Corporation Limited, or Cheetah Technology.

Following our incorporation in July 2009, we underwent a series of restructuring transactions in 2009 and 2010. After the restructuring, Zhuhai Juntian, which was originally a wholly-owned subsidiary of Kingsoft Corporation in China, became a wholly-owned subsidiary of Cheetah Technology in December 2009. Zhuhai Juntian incorporated Beijing Security as its wholly-owned subsidiary in China in November 2009. Through a series of VIE contractual arrangements established in January 2011, Beijing Cheetah Mobile Technology Co., Ltd., or Beijing Mobile, an entity previously consolidated in Kingsoft Corporation's group, became our VIE. We established Cheetah Mobile America, Inc. in the United States in November 2012.

In October 2010, we acquired 100% equity interest in Conew.com Corporation, a company incorporated in the British Virgin Islands in October 2008. As part of the acquisition, we acquired 100% equity interest in Conew Network and obtained effective control over Beijing Conew through contractual arrangements among Conew Network, Beijing Conew and Beijing Conew's shareholders.

Beijing Cheetah Network Technology Co., Ltd, or Beijing Network, was incorporated in China in July 2012 as our VIE and has been consolidated in our financial statements since its incorporation. We consolidate the VIEs, such as Beijing Mobile and Beijing Network, through contractual arrangements among them, their shareholders and our applicable PRC subsidiaries, Beijing Security and Conew Network. For a detailed description of our contractual arrangements with the VIEs, see "—C. Organizational Structure—Contractual Arrangements with the VIEs."

In May 2014, we completed our initial public offering, in which we offered and sold 138,000,000 Class A ordinary shares represented by ADSs.

The ADSs are listed on the NYSE under the symbol "CMCM."

Since September 2016, we have incorporated Live.me Inc. ("Live.me"), a Cayman Islands company, and several subsidiaries including Hong Kong LiveMe Corporation Limited, to operate our live streaming business. In December 2016, Live.me Inc. entered into an agreement to issue certain number of shares to one of its management members. In April 2017, Live.me Inc. raised an aggregate of US$60 million from a group of investors as well as our company. In November 2017, Live.me Inc. raised US$50 million from Bytedance Ltd. as its Series B financing. Following the foregoing transactions, we held approximately 52.1% equity interest in Live.me Inc., and have retained control over the Live.me business. On September 30, 2019, Live.me amended its share incentive plan to (i) increase the number of shares to be issued under the current plan and (ii) issue shares under the plan into a trust for the benefit of current and future recipients of Live.me share incentive awards. Subsequent to the deconsolidation, we held 49.6% equity interest of Live.me. The remaining interests is accounted for equity investment using the fair value option in accordance with ASC825-10. On January 9, 2023, Live.me modified its share capital by dividing ordinary shares into Class A ordinary shares and Class B ordinary shares with different voting rights, subsequent to the modification, we hold 49.6% of Live.me's share capital, which stands for 49.6% equity interest and 17.2% voting rights of Live.me.

During 2017, we completed a business combination, which we expected to enhance our expertise in hardware services. The total purchase consideration was RMB41.5 million.

In September 2017, Beijing Security completed capital injection into Beijing OrionStar, an artificial intelligence company incorporated in China and controlled by Mr. Sheng Fu, the chief executive officer and director of our company. As a result, we, through Beijing Security, hold approximately 29.6% of then equity interest in Beijing OrionStar and have a two-year warrant to subscribe to additional equity interests amounted to US$62 million at the same valuation of our capital injection in September 2017. In July and September 2018, Beijing Security acquired additional equity interest in Beijing OrionStar through exercising part of the foregoing warrant. In 2019, Beijing Security fully exercised its warrant in Beijing OrionStar. Subsequent to the consummation of the transaction, we, through Beijing Security, hold 38.73% equity interest in Beijing OrionStar. In 2021, Beijing Security provided a convertible loan with principal amount of RMB100 million to Beijing OrionStar, according to which, upon the satisfaction of certain terms, Beijing Security shall have the right to convert all or part of the principal and the accrued interest into Beijing OrionStar's equity interest. In 2022, Beijing OrionStar completed a new round of financing, and subsequent to the financing, our equity interest in Beijing OrionStar was diluted to 37.74%.

In 2017, we acquired certain equity interest in Bytedance Ltd. during a transaction. In 2018, we disposed certain portion of the equity ownership in Bytedance Ltd, which resulted in a disposal gain of investment of approximately RMB300.2 million and a cash inflow of approximately RMB473.6 million. The remaining equity interest in Bytedance Ltd was remeasured and we recognized a fair value gain of RMB300.2 million in "Other income". In May 2020, we sold all the remaining equity ownership in Bytedance Ltd. This transaction resulted in a disposal gain of investment of approximately RMB465.9 million and a cash inflow of approximately RMB949.8 million.

Since July 2018, we have incorporated Cheetah Mobile Seal Inc., a Cayman Islands company, and several subsidiaries including Zhuhai Baoqu Technology Co., Ltd., to operate our PC business. In August 2018, Cheetah Mobile Seal Inc. entered into an agreement to issue certain number of shares to several management members who run such PC business.

In January 2019, we established CheePop Holding Inc., a Cayman Islands company, together with its subsidiaries to focus on certain games developed and operated by one of our game teams.

During 2019, we completed a business combination, which enhanced our expertise in hardware services. The total purchase consideration was RMB25.0 million.

During 2020, we disposed certain internet business which resulted in a disposal gain of approximately RMB394.2 million. Subsequent to the deconsolidation, we own 0% to 47.1% voting rights of those disposed business. Remaining interests is accounted for equity investment using the equity method or measurement alternative.

In 2020, 2021 and 2022, we have paid for investments in an aggregate amount of RMB186.2 million, RMB9.5 million and RMB69.6 million (US$10.1 million), respectively.

In September 2018, our board of directors had approved a share repurchase program of up to US$100 million of our outstanding ADSs for a period not to exceed 12 months. We funded repurchases made under this program from its available cash balance. In 2019, we had repurchased approximately 4.5 million ADSs for approximately US$32 million under this program. We cancelled all the repurchased Cheetah ADSs. In 2019, our board of directors approved a special cash dividend of US$0.50 per American Depositary Share ("ADS"), or US$0.05 per ordinary share in August 2019. In May 2020, our board of directors approved a special cash dividend of US$1.44 per ADS, or US$0.14 per ordinary share paid out in July 2020. The aggregate amount of cash dividends were approximately US$272 million, which was funded by cash on our balance sheet. For all the ADSs mentioned in this paragraph, one (1) ADS represented ten (10) Class A ordinary shares.

Our Company changed the ratio of our ADS to Class A ordinary share from one (1) ADS representing ten (10) Class A ordinary shares to one (1) ADS representing fifty (50) Class A ordinary shares, effective September 2, 2022.

Our principal executive offices are located at Building No. 11 Wandong Science and Technology Cultural Innovation Park No.7 Sanjianfangnanli, Chaoyang District, Beijing 100024, People's Republic of China. Our telephone number at this address is +86-10-6292-7779. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on *www.sec.gov*. You can also find information on our website *http://ir.cmcm.com*. The information contained on our website is not a part of this annual report.

**Voting Proxy Agreement between Kingsoft Corporation and Mr. Fu**

On February 12, 2017, Kingsoft Corporation entered into a voting proxy agreement with Mr. Sheng Fu, our chief executive officer and director, pursuant to which Kingsoft Corporation agreed to delegate voting rights pertaining to up to 399,445,025 Class B ordinary shares of our company that it owns to Mr. Fu. Upon Kingsoft Corporation's shareholder approval and signing of a definitive agreement between Mr. Fu and our company in relation to our acquisition of equity interest in Beijing OrionStar, Kingsoft Corporation have delegated approximately 39.2% voting power of our company held by Kingsoft Corporation to Mr. Sheng Fu, effective October 1, 2017. The voting proxy agreement also provides for additional rights and obligations of Kingsoft Corporation and Mr. Fu, including, among other things, (a) prohibitions on Mr. Fu from participation or investment in any businesses competing with the principal businesses of our company and Kingsoft Corporation, (b) Mr. Fu's obligation to use best efforts to retain our core management team, (c) Kingsoft Corporation's right to revoke the voting proxy in the event that Mr. Fu breaches the aforementioned undertakings, and (d) agreement to increase the size and change the composition of our then nine-member board of directors, such that there would be at that time 11 directors, including three directors from our management, one director designated by Kingsoft Corporation, one director designated by Tencent Holdings Limited, and six independent directors.

The voting proxy agreement may be terminated upon (i) revocation by Kingsoft Corporation based on a breach of certain undertakings by Mr. Fu, among other things, undertakings (a) and (b) in the above paragraph, (ii) mutual agreement by both parties, or (iii) disposal by Kingsoft Corporation of all of its equity interest in our company.

## B. Business Overview

We are a China-based IT company providing comprehensive products and services on PCs and mobile devices globally. We generate revenues primarily by providing utility-related business, including advertising services and premium membership services worldwide. In addition, we also provide services to empower Chinese companies to develop business outside China, such as multi-cloud management platform and overseas advertising agency service.

In 2021, we started a business model of E-coupon vending robots, which is a brand-new inside-shopping-mall and inside-restaurant marketing mode to effectively attract customers for merchants. We deploy AI robots in some shopping malls and restaurants in China's tier one and tier two cities. Through voice interaction and AI technologies, these robots are able to provide services and perform marketing campaigns to amplify partner promotions and build brand recognition. We applied both offline and online marketing strategies to expand the business. Offline, we use our robots which have been deployed in the shopping malls and restaurants. Online, we use our own Wechat mini program – Quanduoduo, some other local network communities as well as some mainstream third-party platforms. In 2022, we started our livestream selling business to sell various food products, which are also offered in Quanduoduo. Although these businesses have made good progress in 2022, they are still at the early stage and revenue generated for this business is not material, we do not expect significant revenue inflows from these in the near future.

**Our Core Offerings for Users and Customers**

**Internet Products**

***Clean Master***

Clean Master is a junk file cleaning, memory boosting and privacy protection tool we launched in September 2012 for mobile devices. Clean Master also features application management functions.

Clean Master utilizes our cloud-based application behavior library to identify junk files associated with the applications installed on users' end devices. Our data analytics engine can also identify junk files generated by unknown applications, which allow Clean Master to effectively clean these junk files.

As our cloud-based data analytics engines continue to evolve, Clean Master becomes more precise in identifying and cleaning junk files. Since 2019, we began to provide premium services in Clean Master allowing subscribers to enjoy an ad-free and more superior experience.

***Security Master***

Security Master, an upgraded version of CM Security launched in January 2014 on the Android platform, is an anti-virus and security application for mobile devices. It also features junk file cleanup and unwanted call blocking functions.

Powered by the dual-mode local and cloud-based application behavior library and our security threats library, CM Security is able to efficiently identify junk files and threats installed on users' mobile devices. Our data analytics engines also enable CM Security to identify threats not previously indexed in our application behavior and security threats libraries.

***Duba Anti-virus***

Duba Anti-virus is an internet security application which incorporates anti-virus, anti-malware, anti-phishing, malicious website blocking and secure online shopping in a single lightweight installation package and leverages the power of our cloud-based data analytics engines to protect our users against known and unknown security threats and malicious applications.

*Anti-virus and anti-malware*. Duba Anti-virus can perform periodic or on-demand scan of program files and processes present on our users' devices and test them against our cloud-based whitelisted and blacklisted security threats library. Program files that match the blacklist will be removed or quarantined automatically by Duba Anti-virus.

Program files that do not match any of the samples included in the cloud-based security threats library will be further analyzed using our cloud-based data analytics engines which can effectively identify unknown threats by employing a heuristic, or experience-based, approach to analyze the code and behavior of the unknown program files. By functioning as a sensor for our cloud-based data analytics engines, Duba Anti-virus can leverage the discovery of an unknown security threat on a single user's device to protect the devices of our entire user community.

*K+ defense*. Duba Anti-virus includes a K+ defense system that integrates with our analytic engines and protects against a broad range of security threats to users' computers.

*System protection*. The K+ defense system protects against malicious alteration of system configurations, prevents remote intrusion by hackers, blocks malicious websites, automatically scans downloaded files for malwares and protects web browsers from unauthorized alternation.

*Online shopping protection.* The K+ defense system blocks phishing and malicious shopping websites, prevents online shopping webpages from being altered or login information being intercepted by Trojan horses installed on users' computers and provides security module plug-in to enhance browser security. Critical processes such as online payments can be conducted in a secure virtual environment free of interference by malware.

*Vulnerability fixing*. Duba Anti-virus provides a one-click solution to scan and fix vulnerabilities in computer configurations that could create an elevated risk level of system intrusions.

*Membership Services*. To deliver a superior user experience, since 2019 we began to introduce membership services in Duba Anti-virus, through which users can get more advanced functions and premium services.

***Mobile Games***

Leveraging our massive user base, we developed several casual mobile games, such as *Piano Tiles 2*, *Rolling Sky* and *Dancing Line*. These games enable users to enjoy a dual audio-visual experience. In 2020, we disposed major gaming-related business. As a result, the revenue contribution from our mobile game business decreased in 2021 and is not material in 2022.

***Value-added Products***

To better serve our customers, along with our main PC and mobile products, we also developed several value-added products such as Wallpaper, Office optimization software and so on.

**AI and Other Business**

***E-Coupon vending robot***

E-Coupon vending robot is a reception and marketing robot which is developed by Beijing OrionStar. We have deployed E-Coupon vending robots in some shopping malls and restaurants in China's tier one and tier two cities. Through voice interaction and AI technologies, these robots are able to attract customers, provide services and perform marketing campaigns to amplify partner promotions and build brand recognition.

***Global To B Services***

We also provide services to leverage our overseas experience and resources to empower Chinese companies to develop business outside China, including multi-cloud management platform and overseas advertising agency service.

**Products and Services for Our Customers**

***Duba.com personal start page***

Our *duba.com* personal start page provides a convenient starting point for the online experience of our users. It aggregates a large collection of popular online resources and provides users quick access to most of their online destinations such as online shopping, video, online game, travel and local information. It also incorporates search functions provided by our customers. Our large user base has turned our *duba.com* personal start page into a hub of third-party search traffic to e-commerce companies and search engine providers.

Users can click on links on the *duba.com* start page to access our customers' websites or search information using their selected search engine. We charge fees to our customers mainly based on cost per impression. The unit price is subject to negotiation based on the traffic we bring to the customers.

***Premium Membership Services***

Our premium membership services help subscribers to manage their equipment, protect their privacy as well as enable them to enjoy our products ad-free and more superior experience. Currently, these services are available on both our PC and mobile internet products.

***Our Artificial Intelligence Technologies***

We have made significant investments in artificial intelligence and machine learning technologies. Since 2018, we strengthened our capacity in AI by investing in Beijing OrionStar, an artificial intelligence tech company. In 2020, we optimized our operation for our AI business by focusing deploying our AI-robots in shopping malls and restaurants. Leveraging voice interaction and AI technologies, these robots can attract customers, provide services and perform marketing campaigns to amplify partner promotions and build brand recognition.

***Our Global To B Services***

Our global to B services mainly include two parts: multi-cloud management platform and overseas advertising agency service.

We provide multi-cloud management service to our customers through our platform which provides one-stop multi-cloud resource management solutions, conduct comprehensive management of multi-cloud resources and environment, and provide various solutions that can be implemented in the cloud, including platforms for backup and disaster recovery, machine learning, cost optimization and monitoring alarm.

Our overseas advertising agency service assists companies to launch advertisement on large overseas advertising platforms, such as Facebook.

**Our Customers**

For our internet business, our customers primarily comprise of customers who place advertisements on our application offerings and individual customers who subscribe premium services or purchase virtual items used in our applications. For our AI and others business, our customers mainly comprise Chinese companies who are interested in developing business in overseas market. In 2020, 2021 and 2022, our five largest customers in aggregate contributed approximately 28.0%, 35.6% and 46.3% of our revenues, respectively.

In December 2018, Facebook suspended the advertising collaborations with us. The suspension does not impact our role as a Facebook advertising reseller. The reason cited by Facebook was that our company's certain apps were not in compliance with Facebook's policies. The suspension was pending a full review of our recent activities by Facebook. Since then, we had been actively communicating with and working with Facebook following receiving the notification of the suspension of collaboration and in Facebook's full review of our recent activities in an effort to resume the normal business relationship with Facebook. These actions including having direct email communication with Facebook's contact persons, providing written materials to demonstrate that we were indeed in compliance with Facebook's policies, having face to face meeting with Facebook personnel to explain our business activities, and engaging a third party data auditing firm agreed by Facebook to conduct an internal review of our handling of Facebook user data in response to Facebook's request. The review concluded that our handling of Facebook user data is compliant with the relevant data protection requirements in relevant Facebook policies. Unfortunately, Facebook has not resumed the collaboration with us.

In February 2020, our Google Play Store, Google AdMob and Google AdManager accounts were disabled by Google. According to Google, the decision was made because some of our apps had not been compliant with Google policies, resulting in certain invalid traffic. Since February 20, 2020, we have been in continuous communication with Google to appeal the decision, clarify any misunderstanding, and adopt any requisite remedial measures to restore the disabled accounts. However, we were notified that Google was unable to reinstate our accounts after reviewing our appeal and additional information we provided.

See "Item 3. Key Information— D. Risk Factors—Risks Relating to Our Business and Industry—Because a limited number of customers contribute to a significant portion of our revenues, our revenues and results of operations could be materially and adversely affected if we were to lose a significant customer or a significant portion of its business."

**Marketing**

We remain focused on driving organic growth for our products and services by improving user experience. We use social networks, online campaigns and offline events to promote our brand, products and services. We currently acquire users through continued online promotion. We also grow our traffic organically through cross-promotion.

**Competition**

We face intense competition in all lines of our business. For our internet business, we generally compete with other mobile application developers that offer products performing similar functions as our applications, such as Clean Master and Security Master. In the internet space, we mainly compete with 360 in China's internet security and anti-virus market. For our AI and other business, we compete with other companies offering similar AI product-based services in China and compete with other companies offering similar multi-cloud management or advertising agency service globally. In addition, we compete with all major internet companies for user attention and advertising spend.

**Intellectual Property**

Our trademarks, patents, copyrights, domain names, proprietary technology, know-how and other intellectual property are vital to the success of our business. We protect our intellectual property rights through patent, trademark, copyright and trade secret protection laws in the PRC, Hong Kong, Japan, the United States and other jurisdictions. In addition, we enter into confidentiality and non-disclosure agreements with our employees and customers. The agreements we enter into with our employees also provide that all software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment are our property.

***Patents***. As of March 31, 2023, we had 2,034 patents in China and 147 patents outside China relating to our software and other proprietary technology. Of such total 2,181 patents,1,960 patents were either independently or jointly held by Zhuhai Juntian, Beijing Security, Conew Network and our other wholly-owned or controlled subsidiaries. 187 patents were either independently or jointly held by Beijing Mobile, Beijing Network, and our other VIEs, and 34 patents were jointly owned by our wholly-owned subsidiaries and VIEs. The 2,181 patents will expire between December 2023 and March 2041. In addition to the aforementioned patents, as of March 31, 2023, we had a total of 415 patent applications in China and 32 patents applications outside China. Among such patent applications, in relation to the proprietary technologies that are essential to the operations of our platform and important to our business, our wholly-owned or controlled subsidiaries, had independently filed 385 patent applications, and the VIEs, had independently or jointly filed 62 patent applications. Once approved, depending on the type of patents, the patents that are in the process of application by the VIEs will normally expire 10 or 20 years after the date of application.

***Copyrights***. As of March 31, 2023, we had registered 666 copyrights, including 608 software copyrights and 58 artwork copyrights. In relation to our core proprietary technologies, Beijing Mobile and Beijing Network, and our other VIEs, independently or jointly owned 182 software copyrights, Zhuhai Juntian, Beijing Security, Conew Network and our other wholly-owned or controlled subsidiaries independently or jointly owned 381 software copyrights, and 45 software copyrights were jointly owned by our wholly-owned subsidiaries and VIEs. All the software copyrights owned by the VIEs (excluding Beijing Conew) have been published between December 2012 and March 2023. Software copyrights are protected until the end of the 50th calendar year starting from the date of first publication.

***Trademarks***. As of March 31, 2023, we had registered 2,125 trademarks in China. In addition, we currently had filed 52 trademark applications in China. We had 1,027 registered trademarks outside China, and we had filed 123 trademark applications outside China.

***Domain names***. As of March 31, 2023, we had registered 333 domain names, including *www.cmcm.com*, *www.duba.com*, *www.ijinshan.com*, *www.duba.net* and *liebao.cn*.

As the VIEs hold a significant amount of patents and copyrights essential to our business operations, if we lose control over any of them or if any of them goes bankrupt, our business operations may be severely interrupted. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We may lose the ability to use and enjoy vital assets held by the VIEs if they go bankrupt or become subject to a dissolution or liquidation proceeding."

We have established policies and procedures to monitor certain key patents and trademarks for infringement or other unauthorized use, and a team of dedicated employees from the intellectual property, legal and marketing groups conduct daily searches and monitor our patents, as well as third-party patents and distribution platforms, for infringing technology and software. See "Item 3. Key Information—D. Risk Factors—Risks Relating to our Business and Industry—We may not be able to adequately protect or maintain our intellectual property, which could harm our business and competitive position" and "Item 3. Key Information—D. Risk Factors—Risks Relating to our Business and Industry—We may be subject to intellectual property infringement lawsuits which could result in our payment of substantial damages or license fees, disruption to our product and service offerings and reputational harm."

**Regulations**

We are subject to a number of PRC and foreign laws and regulations that affect companies conducting business on the internet. We are subject to a variety of laws and regulations in foreign jurisdictions that involve matters central to our business, including privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, national security, electronic contracts and other communications, virtual currencies, competition, protection of minors, consumer protection, telecommunications, taxation, and economic or other trade prohibitions or sanctions. These foreign laws and regulations are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For further details, see "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to complex and evolving laws and regulations regarding privacy, data protection, and other matters outside China. Failure to comply with these laws and regulations could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business."

As a significant portion of our business operations are conducted in China, we are materially affected by the laws and regulations in China. This section summarizes the principal PRC laws and regulations relevant to our current businesses, including online marketing, online game (including online mobile and PC games) operations and advertising agency, as well as foreign currency exchange and dividend distributions.

***Regulations on Value-Added Telecommunications Services***

The Telecommunications Regulations, which became effective on September 25, 2000 and were respectively amended on July 29, 2014 and on February 6, 2016, and Administrative Measures on Telecommunications Business Permits (2017), which became effective since September 1, 2017, are the core regulations on telecommunications services in China. The Telecommunications Regulations set out basic guidelines on different types of telecommunications business activities, including the distinction between "basic telecommunications services" and "value-added telecommunications services." Administrative Measures on Telecommunications Business Permits (2017) set out the standards regarding the application, examination and approval, use and administration of telecommunications business permits in China. According to the Classified Catalog of Telecommunications Business (2015 Version), implemented on March 1, 2016, amended on June 6, 2019 and attached to the Telecommunications Regulations, internet information services are deemed a type of value-added telecommunications services. The Telecommunications Regulations require the operators of value-added telecommunications services to obtain value-added telecommunications business operation licenses from the Ministry of Industry and Information Technology, or MIIT, or its provincial delegates prior to the commencement of such services.

***Restrictions on Foreign Ownership in Value-Added Telecommunications Services***

On December 11, 2001, the State Council promulgate the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which took effect on January 1, 2002 and were respectively amended on September 10, 2008, on February 6, 2016 and on May 1, 2022, are the major rules on foreign investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services, including internet information services. And the FITE Regulations clarifies that foreign-invested telecom enterprises may operate the business of basic telecommunications services and the business of value-added telecommunications services, subject to the specific service classification under the Telecommunications Regulations. The geographical areas in which foreign-invested telecommunications enterprises may operate business shall be determined by the industry and information technology authority under the State Council under the relevant provisions.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (a) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resources, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (b) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (c) each value-added telecommunications service provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (d) all value-added telecommunications service providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. If a license holder fails to comply with the requirements in the notice and cure such non-compliance, the MIIT or its local counterparts have the discretion to take

measures against such license holders, including revoking their value-added telecommunications business operating licenses. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures.

On October 15, 2020, the MIIT issued the Circular of the Ministry of Industry and Information Technology on Strengthening the Regulation of Foreign-invested Telecommunications Enterprises during and after the Investment, or the MIIT Circular 2020. MIIT Circular 2020 clarifies that after obtaining a telecommunications business license, a foreign-invested telecommunications enterprise shall strictly abide by the Administrative Measures on Telecommunications Business Permits (2017) and other requirements, perform its obligation of submitting an annual report on its telecommunications operations in a timely manner, submit relevant telecommunications market monitoring information in compliance with regulations, and accept and cooperate with the regulation under the "double-random inspection and one disclosure" mechanism, any targeted regulation, the regulation on credit standing or other regulator activities carried out by telecommunications authorities under the law.

To comply with such foreign ownership restrictions, we operate our businesses in China through Beijing Mobile, Beijing Network, Beijing Conew and other companies, the VIEs or their subsidiaries. The VIEs are directly or indirectly owned by PRC citizens. Each of these entities is controlled by our company through a series of contractual arrangements. See "Item 4. Information on the Company— C. Organizational Structure—Contractual Arrangements with the VIEs." Based on our PRC legal counsel, Global Law Office's understanding of the current PRC laws, rules and regulations, our corporate structure complies with all applicable PRC laws, and does not violate, breach, contravene or circumvent or otherwise conflict with any applicable PRC laws. However, we were further advised by our PRC legal counsel that there are substantial uncertainties with respect to the interpretation and application of existing or future PRC laws and regulations and thus there is no assurance that Chinese governmental authorities would take a view consistent with the opinions of our PRC legal counsel.

***Regulations on Internet Information Services***

On September 25, 2000, the State Council issued the Administrative Measures on Internet Information Services, or the ICP Measures, and amended on January 8, 2011, regulate the provision of internet information services. According to the ICP Measures, "internet information services" refer to services that provide internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the ICP Measures, internet information commercial service providers shall obtain an ICP License, a sub-category of the value-added telecommunications business operation license, from the relevant local authorities before engaging in the provision of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for the ICP License.

On May 2, 2017, the CAC, promulgated Provisions on Administration over the Internet News Information Services, or the Internet News Provisions, which became effective on June 1, 2017, Pursuant to the Internet News Provisions, INIS License shall be obtained for providing to the public Internet news information services, including providing Internet news information collection and editing services, reprinting services and communication platform services, through the Internet website, application program, forum, blog, microblog, public account, instant messaging tool, Internet live streaming and other methods. It is prohibited to conduct Internet news information service activities without license or beyond the licensed scope. The collection and editing business and operational business of an Internet news information service provider shall be separated and non-public assets shall not be involved in the Internet news information collection and editing business. Any violation of the Internet News Provisions may result in penalties, including discontinuation of operations, warnings, orders to make correction within the prescribed time period, and imposition of fines and even criminal liabilities. On May 22, 2017, the CAC promulgated the Implementation Rules for the Administration of the Licensing for Internet News Information Services on May 22, 2017 and Administrative Measures on Content Management Practitioners in Internet News Information Service Providers on October 30, 2017, further prescribing more details regarding the application and administration of the INIS License.

On November 27, 2017, MIIT promulgated Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names for Internet Information Services, which became effective on January 1, 2018. The notice provides that the domain name used by an Internet information service provider for providing Internet information services shall be a domain name registered and owned thereby pursuant to laws and regulations. Where an entity provides Internet information services, the domain name registrant shall be the entity (including a company shareholder), or the primary person in charge of, or a senior management person of, the entity. When providing access services for Internet information service providers, an Internet access service provider shall examine and verify the real identity information of domain name registrants via the Record-filing System, and shall not provide access services for those who fail to provide real identity information or whose identity information provided is inaccurate or incomplete. The foregoing provisions shall not apply to domain names that have already been record-filed in the Record-filing System

prior to the effective date hereof. Nevertheless, abovementioned regulations do not prescribe any legal liability of violating such regulations.

On January 8, 2021, CAC promulgated Circular on Seeking Public Comments on the Administrative Measures on Internet Information Services (Revised Draft for Comment), further stipulate that those engaged in Internet news and information services should apply to the CAC, and the Internet news and information service practitioners should obtain the corresponding qualifications and accept the corresponding training and assessment according to law. The deadline for submitting comments is February 7, 2021, this Circular has already been solicited for public opinions so far.

On December 31, 2021, CAC, MIIT, Ministry of Public Security and the SAMR promulgated Administrative Provisions on Recommendation Algorithms in Internet-based Information Services, which became effective on March 1, 2022. The notice provides that Recommendation algorithm-based service providers shall adhere to the mainstream value orientations, optimize recommendation algorithm-based service mechanisms, actively disseminate positive energy, and promote the application of algorithms for goodness and kindness. Recommendation algorithm-based service providers shall not use recommendation algorithm-based services to engage in activities prohibited by laws and administrative regulations such as endangering national security and public interests, disrupting economic and social order, and infringing upon the legitimate rights and interests of others, nor shall they use recommendation algorithm-based services to disseminate information prohibited by laws and administrative regulations. They shall take measures to prevent and resist the dissemination of bad information.

On September 9, 2022, the CAC, MITT and the SAMR promulgated the Administrative Provisions on Pop-up Web Push Notification Services, which became effective on September 30, 2022, further prescribing that Pop-up web push notification service providers shall perform responsibility as the primary responsible party for information content management, and establish sound management systems for information content review, ecological governance, data security and personal information protection, protection of minors, etc.

We currently, through Beijing Network and other companies, the VIEs or their subsidiaries, hold valid ICP Licenses, covering the provision of internet information services, issued by the Beijing, Guangdong or Hainan branch of the MIIT. Besides, the ICP Measures and other relevant measures also ban the internet activities that constitute publication of any content that propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties, among others. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider's violation of these prescriptions will lead to the revocation of its ICP License and, in serious cases, the shutting down of its internet systems.

***Regulations on Mobile Application Information Services***

On June 14 2022, the CAC promulgated the Administrative Provisions on Mobile Internet Applications Information Services (Revised in 2022), or the APP Provisions, which became effective on August 1, 2022. The APP Provisions sets forth the relevant requirements on the APP information service providers and the APP Store service providers.

Pursuant to the Mobile Application Provisions, APP providers and APP distribution platforms shall perform the primary responsibility for information content management, actively cooperate with the State to implement the strategy of trusted identities in cyberspace, establish sound information content security management systems, information content ecological governance systems, data security and personal information protection systems, minor protection systems and other management systems to ensure cyber security and maintain a good network ecology. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

***Regulations on Personal Computer Products and Services***

On September 2, 1993, the Standing Committee of the National People's Congress, or the SCNPC, adopted the Anti-unfair Competition Law of the PRC, which took effect on December 1, 1993, and was amended on April 23, 2019.According to the Anti-unfair Competition Law, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

On February 18, 1994, the State Council promulgated the Provisions for Security Protection of Computer Information Systems and subsequently amended in 2011. On December 12, 1997, Ministry of Public Security, or the MPS, promulgated the Measures for Administration of Detection and Sales Permits for Computer Information System Security Special Products. According to such provisions, producers of security special products, including hardware and software products, shall have such products detected and recognized by qualified institutions, and obtain a sales license. A new sales license is required if an approved security product has any functional changes. "Security special products" refers to special hardware and software that is used for protecting the security of computer information system. The valid term of each sales permit is two years and the extension application shall be submitted to the competent branches of the Ministry of Public Security 30 days prior to the expiration of such term. Besides, as the upgrades of our software become more frequent and such examination and approval by the MPS may be time-consuming, we may not be able to obtain such permits for all upgrades in a timely manner, which may subject us to various penalties and adversely affect our business and results of operations.

On August 1 2011, the State Council promulgated the Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet (2011Revised) and became effective on August 1 2011, The Measures shall be applicable to the security protection administration of the international networking of computer information networks.

***Regulations on Online Games and Cultural Products***

The Tentative Measures for Internet Publication Administration, or Internet Publication Measures, were jointly promulgated by the GAPP and the MIIT on June 27, 2002 and became effective on August 1, 2002. The Internet Publication Measures imposed a license requirement for any company that engages in internet publishing, which means any act by an internet information service provider to select, edit and process works (including books, newspaper, magazines, audio/video products, or edited literature, art or works on natural science, social science, engineering etc.) produced by such provider or others, and make such works publicly available on the internet or send such works to the end users through internet, so that the public can browse, read, use or download such works. The Internet Publication Measures also require the professional editorial personnel of an Internet publishing entity to examine the published content to ensure that it complies with applicable laws. Failure to do so may subject us to fines and other penalties. The provision of online games is deemed an internet publication activity; therefore, an online game operator must (i) obtain an Internet Publishing License so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement. On February 4, 2016, the SARFT and the MIIT jointly promulgated the Administrative Measures on Internet Publication, which took effect on March 10, 2016 and superseded the Internet Publication Measures. The Administrative Measures on Internet Publication define "online publishing services" as providing online publications to the public through information networks and requires any internet publishing services provider to obtain an online publishing service license to engage in online publishing services.

On February 21, 2008, the GAPP issued the Rules for the Administration of Electronic Publication, or the Electronic Publication Rules, which became effective on April 15, 2008 and amended on August 28, 2015. Under the Electronic Publication Rules and other regulations issued by the GAPP, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP, or the Regulation on Three Provisions. On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations, or the Interpretations on Three Provisions. The Regulation on Three Provisions stipulates that the MOC is authorized to regulate the online game industry, while the State Administration of Press, Publication, Radio, Film and Television, or SARFT, is authorized to approve the publication of online games before their launch on the internet. On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which came into effect on August 1, 2010 and were subsequently amended on December 15, 2017. According to the Online Game Measures, any entity engaging in online game operations must obtain an Online Culture Operating License.

On May 14, 2019, the general office of MCT promulgated the Notice on Adjustment of the Approval Scope of Internet Cultural Operation Licenses and Further Regulating the Approval Work, or the No. 81 Notice. According to the No. 81 Notice, the MCT no longer assumes the online game industry management responsibility. Upon receiving the No. 81 Notice, the provincial cultural and tourism administrative departments no longer approve and issue the Internet Culture Operation Licenses covering business scope of "operating gaming products through the internet" or "operating gaming products through the internet, including the issuance of virtual currency".

According to the aforementioned regulations, the Internet Culture Operation Licenses we have obtained from the Beijing or Hainan branch of the MOC (later the MCT) or MCT (formerly the MOC), through Beijing Network and other companies, the VIEs or

their subsidiaries, have expired which collectively cover the business scope of operating gaming products through the internet (including the issuance of virtual currency), may not need to be renewed.

On June 4, 2009, the MOC and the MOFCOM jointly issued The Notice on Strengthening the Administration of Online Game Virtual Currency, or the Virtual Currency Notice, which defines the meaning of the term "virtual currency" and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for cash or virtual money of the players.

On September 28, 2009, the GAPP, the National Copyright Administration, or the NCA, and the Office of the National Working Group for Combating Pornography and Illegal Publications jointly issued a Notice on Implementing the Provisions of the State Council on "Three Determinations" and the Relevant Explanations of the State Commission Office for Public Sector Reform and Further Strengthening the Administration of the Pre-approval of Online Games and Examination and Approval of Imported Online Games, or Circular 13. Circular 13 explicitly prohibits foreign investors from directly or indirectly engaging in online gaming business in China, including through variable interest entity structures, or VIE Structures. Foreign investors are not allowed to indirectly control or participate in PRC operating companies' online games (including online mobile and PC games) operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign companies. Violations of Circular 13 will result in severe penalties. However, it is uncertain whether the above prohibitions imposed by SARFT are within its authorization as stipulated in the Regulation on Three Provisions and its interpretations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies."

***Anti-fatigue Compliance System and Real-name Registration System***

In 2007, the General Administration of Press and Publication and several other governmental authorities issued a circular requiring the implementation of an "anti-fatigue system" and a real-name registration system by all PRC online games operators in an effort to curb addictive online game play behaviors of minors. Under the anti-fatigue compliance system, three hours or less of continuous play by minors, is considered to be "healthy," three to five hours is deemed "fatiguing," and five hours or more to be "unhealthy." Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the "fatiguing" level, and to zero in the case of the "unhealthy" level.

On July 1, 2011, the relevant eight government authorities issued the Notice on the Commencement of Anti-fatigue and Real-name Registration of Online Games, or the Notice, which came into effect on October 1, 2011, to identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online games (including online mobile and PC games) players to register their real identity information before playing online games. Pursuant to the Notice, online games (including online mobile and PC games) operators must submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, for verification.

On October 25, 2019, the General Administration of Press and Publication issued the Notice on Preventing Minor's Addiction to Online Games, which requires all online gamers to register accounts with their valid identity information and all game companies to stop providing game services to users who fail to do so. Furthermore, minors are prohibited from playing games exceeding a certain period of time per day or putting money into their accounts exceeding a certain amount.

On January 22, 2021, the CAC issued the Administrative Provisions on Official Account Information Services for Internet Users, or the Provisions, which came into effect on February 22, 2021. The Provisions requests that official account information service platforms shall take composite verification and other measures to authenticate the real identity information of Internet users who apply for the registration of official accounts based on their mobile phone numbers, resident ID numbers, unified social credit codes or in other ways, to improve authentication. Official Account Information Services for Internet Users shall not provide relevant services for users who do not submit their real identity information or falsely register with the real identity information of other organizations or people.

On June 27, 2022, the CAC promulgated the Provisions on the Administration of Internet Users' Account Information, which became effective on August 1, 2022. The Provisions on the Administration of Internet Users' Account Information clarifies that where an Internet information service provider provides information release, instant messaging, and other services for Internet users, it shall authenticate the real identity information of the users applying for registration of relevant account information through the mobile

phone number, ID number, or unified social credit code. If a user does not provide real identity information or fraudulently uses the identity information of an organization and another person for false registration, the user shall not be provided with relevant services.

***Regulations on Advertising Business***

State Administration for Market Regulation, or the SAMR, which is the successor of SAIC, is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include:

- Advertisement Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on October 27, 1994 and effective since February 1, 1995, the latest version of which became effective on April 29, 2021;
- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987; and
- Interim Measures for the Administration of Internet Advertisements, promulgated by the SAIC on July 4, 2016 and effective on September 1, 2016.

According to the above regulations, companies that engage in advertising activities including those conducted through the internet must each obtain, from the SAMR (formerly the SAIC) or its local branches, a business license which specifically includes operating an advertising business in its business scope. An enterprise engaging in advertising business within the specifications in its business scope does not need to apply for an advertising operation registration, provided that such enterprise is not a radio station, television station, newspaper or periodical publisher. Enterprises conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations pursuant to Advertisement Law. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant laws or regulations. For the enterprise which is not a radio station, television station, newspaper or periodical publisher, the term of validity of the registration of advertisement publication shall be consistent with the term of validity of the approval document for relevant media.

On November 26, 2021, the SAIC, currently known as SMAR has publicly solicited opinions on the Measures for the Administration of Online Advertising (Draft for Comments) (the Draft Internet Advertising Measures), which states that all Internet Advertising activities will be regulated and clearly states that livestreaming room operators and livestreaming marketers must abide by the responsibilities and obligations of Internet Advertising operators. The Draft Internet Advertising Measures also provides that Internet advertisement publishers should not publish advertisements on vehicles or intelligence household electronic appliances without the users' permission or request. The Draft Internet Advertising Measures further strengthens the one-click-to-close requirement and prohibits advertisements for certain items on Internet media that targets minors, including, among others, advertisements related to online games that are harmful to the physical or mental health of minors. The deadline for submitting comments is December 25, 2021, the SAMR solicited comments on this Draft Internet Advertising Measures, but it has not been formally adopted.

PRC advertising laws and regulations set certain content requirements for advertisements in China, including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in complete compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. The Interim Measures for the Administration of Internet Advertisements set new requirements for internet advertising, which refers to commercial advertising that directly or indirectly promotes goods or services through websites, webpages, internet applications or other internet media in text, picture, audio, video or other forms. The Interim Measures require internet advertising publishers and advertising operators to, among other things, (i) clearly identify all internet advertising as such and distinguish paid search results from natural search results; (ii) refrain from interrupting normal internet use with advertisements, or inducing users to open an advertisement in a deceptive manner; and (iii) establish an advertising business management system and review advertisement content as required by applicable laws. The following activities are prohibited under the Interim Measures: (a) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (b) using network access, network equipment and applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; and (c) harming the interests of others by using fake statistics or traffic data. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the

advertisements and orders to publish an advertisement correcting the misleading information. Where serious violations occur, the SAIC or its local branches may revoke such offenders' licenses or permits for their advertising business operations.

***Regulations on Broadcasting Audio/Video Programs through the Internet***

National Radio and Television Administration, or NRTA, the successor of SARFT is the primary governmental authority regulating activities involving broadcasting audio/video programs and services in China. Regulations that apply to broadcasting audio/video programs primarily include:

- Administrative Measures for Private Network and Directional Broadcast Audio/ Video Program Service (SARFT Order [2016] No. 6 or Order 6), which was promulgated on April 25, 2016 and became effective on June 1, 2016 and subsequently amended on March 23, 2021;
- Administrative Provisions for Internet Audio/Video Program Service, commonly known as Circular 56, jointly promulgated by the SARFT and the MIIT on December 20, 2007, effective since January 31, 2008 and updated in August 2015 (SARFT Order [2015] No. 3);
- Notice on Issuing the "Catalogue of Classification of Internet Audio/Video Program Services (Provisional)", or the Classification Catalogue, promulgated by the SARFT on March 17, 2010, effective since then and updated in March 2017 (SARFT Announcement [2017] No. 1); and
- Notice on Strengthening the Administration of Internet Audio/Video Content, or the Internet Audio/ Video Content Notice, promulgated by SARFT on March 31, 2009 and effective since then.

Pursuant to the Classification Catalogue, category I internet audio/video program services relate to internet audio/video program services operated through radio stations or television stations. Category II internet audio/ video program services relate to the transmission of audio/video programs on current political news and the hosting, production, reporting and broadcasting of audio/video programs on literature and art, entertainment, science and technology, finance and economics, sports, education and other topics. Category III internet audio/ video program services refer to the activities of editing or arranging the information pertaining to audio/video programs broadcasted on the Internet on the same website and providing the public with the service of program searching or viewing or refer to the service of providing users with a special channel for uploading programs or information so that users can pass their source or others' source of programs to the public via the information broadcasting system or viewing interface of the website for on-demand broadcasting to the public. Category IV internet audio/video program services relate to the transmission of radio or television program channels, internet audio/video program channels, or live streaming of online audio/video programs.

According to the above regulations, companies that engage in services relating to internet audio/video programs, which refer to the production, editing and aggregation of audio/video programs, the supply of audio/ video programs to the public via the internet, and the provision of services to third parties for upload and transmission of audio/video programs, are required to obtain an internet audio/video program transmission license issued by the SARFT and to operate the relevant business within the scope as provided in such license. Order 6 explicitly provided that foreign invested enterprises (including wholly foreign owned enterprises, joint ventures and cooperative joint ventures) shall not engage in such business in China. Pursuant to Circular 56 and the Internet Audio/Video Content Notice, internet audio/visual program service providers shall examine and ensure that the contents that they publish comply with applicable laws. Violation of these regulations may result in penalties, including warnings, orders compelling modification of operations or imposition of fines, or even criminal liabilities.

***Regulations on Robot Product Selling***

SAMR is the primary governmental authority regulating activities involving robot product selling in China. Regulations that apply to robot product selling primarily include:

- Product Quality Law of the PRC, which was promulgated by the Standing Committee of the National People's Congress of the People's Republic of China on February 22, 1993 and subsequently amended on July 8, 2000, August 27, 2009 and December 29, 2018;
- E-Commerce Law of the People's Republic of China, which was promulgated by the Standing Committee of the National People's Congress of the People's Republic of China on August 31, 2018 and became effective on January 1, 2019,
- Measures for the Administration of the Recall of Defective Consumer Goods, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (having been restructured and named to the SAMR), on October 21, 2015 and became effective on January 1, 2016,

- Interim Provisions on the Administration of Recall of Consumer Goods, which was promulgated by the SAMR on November 21, 2019 and became effective on January 1, 2020 Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products, which was promulgated by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Environmental Protection, the Ministry of Commerce, the General Administration of Customs and the General Administration of Quality Supervision, Inspection and Quarantine on January 6, 2016 and became effective on July 1, 2016,
- Civil Code of the PRC, which was promulgated by the National People's Congress on May 28, 2020 and became effective on January 1, 2021,
- Measures for the Supervision and Administration of Online Transactions, which was promulgated by the State Administration for Market Regulation on March 15, 2021 and became effective on May 1, 2021.

Pursuant to the above regulations, the sale of products that do not meet applicable health and safety standards and requirements is prohibited. Products shall not pose unreasonable dangers to human or property. Where a defective product causes physical injury to a person or damage to property, the aggrieved party may make a claim for compensation from the seller of the product. Sellers who selling non-compliant products may be ordered to cease production and sale of such products, or subject to fines and/or revocation of business license. Non-compliant products as well as earnings attributable to the sales of such products may also be confiscated. Where sellers are informed that there might be defects in consumer goods, sellers shall immediately notify the manufacturers and report to the provincial quality inspection departments at the places where they are located, and sellers shall immediately stop selling, leasing out and using defective consumer goods, and assisting manufacturers in implementing a recall. Otherwise the seller will be liable for tort claims.

Selling robot products is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law, as amended on October 25, 2013 and taking effect since March 15, 2014, which imposes obligations on business sellers. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of warning, confiscation of income, imposition of fines, order to cease business operations, revocation of business licenses, as well as potential civil and criminal liabilities.

***Regulations on Food Sale and Safety***

On February 28, 2009, the Standing Committee of the National People's Congress promulgated the Food Safety Law of the PRC, or the Food Safety Law, which took effect on June 1, 2009 and was last amended on April 29, 2021. On July 20, 2009, the State Council issued the Implementing Regulations on the Food Safety Law of the PRC, or the Implementing Regulations on the Food Safety Law, which was last amended on December 1, 2019.

Pursuant to the Food Safety Law and Implementing Regulations on the Food Safety Law, the state adopts a licensing system for food production and trading. To engage in food production and selling/catering services, the food production license for food production and food operation license for food selling and catering services shall be obtained in accordance with the law. However, the license is not required for sale of pre-packaged food. If only pre-packaged food is sold, it should be filed for the record to the food safety supervision and administration department at or above the county level of the local People's Government.

On August 31, 2015, China Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing, which was amended on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a person or entity that engages in food selling and catering services within mainland China (herein after referred to in general as "food operator") shall obtain a food operation license in accordance with the law. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types of operation and the degree of risk of their operation projects.

***Regulations on Single-Purpose Commercial Prepaid Cards and Online Commerce***

On September 21, 2012, the Ministry of Commerce promulgated the Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (the "Regulations on Single-Purpose Commercial Prepaid Cards"), which was amended on August 18, 2016. The Regulations on Single-Purpose Commercial Prepaid Cards applies to business in the retail industry, accommodation and catering industry, and resident service industry that conduct single-purpose commercial prepaid card business within China. A card issuer shall undergo filing formalities within 30 days from the day it conducts single-purpose card business.

On August 31, 2018, the Standing Committee of the National People's Congress promulgated the E-commerce Law of the PRC, which came into effect on January 1, 2019. The E-commerce Law imposes a series of requirements on e-commerce operators including e-commerce platform operators, merchants operating on the platform and the individuals and entities carrying out business online. According to the E-commerce Law, e-commerce platform operators are required to assume joint liability with the merchants and may be subject to warnings and fines up to RMB 2 million where (i) they fail to take necessary actions when they know or should have known that the products or services provided by the merchants on the platform do not meet personal and property security requirements, or otherwise infringe upon consumers' legitimate rights; or (ii) they fail to take necessary actions, such as deleting and blocking information, disconnecting, terminating transactions and services, when they know or should have known that the merchants on the platform infringe upon the intellectual property rights of others.

On March 15, 2021, the SAMR promulgated the Measures for the Supervision and Administration of Online Transaction, which became effective on May 1, 2021. The measures require that, among others, online transaction operators shall not force customers, whether or not in a disguised manner, to consent to the collection and use of information not directly related to their business activities by means of one- off general authorization, default authorization, bundling with other authorizations, or the suspension of installation and use.

***Regulations on Intellectual Property Rights***

*Software Registration*. The State Council and the NCA have promulgated various rules and regulations and rules relating to protection of software in China, including the Regulations on Protection of Computer Software promulgated by State Council on January 30, 2013 and effective since March 1, 2013, and the Measures for Registration of Copyright of Computer Software promulgated by NCA on February 20, 2002, amended on June 18, 2004 and effective since the same date. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the China Copyright Protection Center or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections.

*Patent*. The National People's Congress adopted the Patent Law of the People's Republic of China in 1984 and amended it in 1992, 2000, 2008 and 2020 (came into effect on June 1, 2021), respectively. Implementing Rules of the Patent Law of the People's Republic of China was promulgated on January 19, 1985 and was last amended on January 9, 2010 by the State Council. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, nuclear transformation or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model and fifteen-year for a or design, starting from the application date. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

*Copyright*. The Copyright Law of the People's Republic of China, promulgated in 1990 and amended in 2001 and, 2010 and 2020 (came into effect on June 1, 2021), or the Copyright Law, and its related implementing regulations, promulgated in 1991 and amended in 2013 are the principal laws and regulations governing the copyright related matters. The amended Copyright Law covers internet activities, products disseminated over the internet and software products (including the original copy and reproduced copy), among the subjects entitled to copyright protections. Registration of copyright is voluntary, and is administrated by the China Copyright Protection Center.

On December 20, 2001, the State Council promulgated the new Regulations on Computer Software Protection, effective from January 1, 2002 and amended in March 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organizations is automatically copyright protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the primary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration of the PRC introduced the Measures on Computer Software Copyright Registration, which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Center of China, or the CPCC, is mandated as the software registration agency under the regulations. The Measures on Computer Software Copyright Registration was subsequently amended on June 18, 2004, which allows the CPCC to establish local branches for software registration.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the NCA and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet Content Providers, without editing, amending or selecting any stored or transmitted content.

On May 18, 2006, the State Council issued the Regulations on Protection of the Right of Communication through Information Network, which took effect on July 1, 2006 and was amended on January 30, 2013, further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement.

Since 2005, the NCA, together with certain other PRC governmental authorities, have jointly launched annual campaigns specifically aimed to crack down on internet copyright infringement and piracy in China; these campaigns normally last for three to four months every year. According to the Notice of 2013 Campaign to Crack Down on Internet Infringement and Piracy promulgated by the NCA, the Ministry of Public Security and the MIIT on July 19, 2013, the 2013 campaign mainly targeted key internet publications such as literature, music, movies and TV series, games, cartoons, software in key areas, to strengthen the supervision of audio and video websites and e-commerce platforms and strictly crack down all kinds of internet piracy. NCA, MIIT, the Ministry of Public Security and CAC jointly launch "Jian Wang 2022" Special Program for Combating Online Infringement and Piracy, focusing on online video, online music, online literature, online news, online live broadcast and other fields to carry out special rectification of copyright and crack down on online infringement.

*Domain Name*. On June 18, 2019, the CNNIC issued the Notice of the Issuance and Implementation of the "the Implementing Rules for Top-level Domain Name Registration" Series of Regulations, or the Notice, which became effective from the same date. According to the Notice, the applicant shall sign a domain name registration agreement with the registrar and submit the materials in written or electronic form on their application. The maximum period of validity of domain name registration shall not exceed ten years, and the longest period from the renewal date to the expiration date after the renewal shall not exceed ten years. The MIIT promulgated the Measures for the Administration of Internet Domain Names on August 24, 2017, which took into effect on November 1, 2017. The Domain Name Measures shall apply to Internet domain name services and related operation, maintenance, supervision and management, and other related activities that are carried out within the territory of the People's Republic of China. According to the Domain Name Measures, the registration of domain names in PRC is on a "first-apply- first registration" basis. A domain name applicant will become the domain name holder upon the completion of the application procedure. In February 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution, which were subsequently amended in June 2012, in November and in September 2014 and in June 2019 and relevant implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes.

*Trademark*. The PRC Trademark Law, adopted in 1982 and amended in 1993, 2001, 2013 and 2019, with its implementation rules adopted in 2002 and amended in 2014, protects registered trademarks. The Trademark Office of the SAIC handles trademark registrations and grants a protection term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record. On December 13, 2021, for the purposes of enhancing trademark administration, strengthening the business guidance for trademark law enforcement China National Intellectual Property Administration issued the Standards for Determining General Trademark Violations, or the Circular 34, which became effective on January 1, 2022. The Circular 34 provides standards for the investigation and punishment of general trademark violations by departments in charge of trademark law enforcement. On January 13, the National Intellectual Property Administration issued the PRC Trademark Law (Draft Revision for Comment), which aims at further improving the trademark system and solving the outstanding problems in the field of trademarks.

***Regulations on Internet Infringement***

On May 26, 2020, the National People's Congress promulgated the Civil Code of the People's Republic of China, or the Civil Code, which became effective on January 1, 2021. Under the Civil Code, an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. After receiving the notice, the network service provider shall promptly forward the notice to the relevant network user and take necessary measures in light of the preliminary evidence of infringement and the type of service; if the network service provider fails to take necessary action after being notified, it shall assume joint and several liability with the network

user with regard to the aggravated part of the damage. If the network user or network service provider is damaged due to wrong notice, the right holder shall assume tort liability. Where it is otherwise prescribed in law, such provisions shall prevail. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. According to the Civil Code Tort Law, civil rights and interests include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage, among others.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released an Interpretation on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information, or the Interpretation. The Interpretation clarified several concepts, including "citizen's personal information," "provision", and "unlawful acquisition", in relation to the crime of "infringement of citizens' personal information" stipulated in the Criminal Law. Pursuant to the Interpretation, "citizen's personal information" refers to all kinds of information recorded in electronic form or any other form, which can be used, independently or in combination with other information, to identify a specific natural person's personal identity or reflect a specific natural person's activities, including the natural person's name, identity certificate number, communication and contact information, address, account password, property status, and whereabouts, among others.

On December 29, 2020, the Supreme People's Court amended the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Cases involving Civil Disputes over Infringements upon Personal Rights and Interests through Information Networks, or the Provisions, which became effective on January 1, 2021. The Provisions aims at correctly trying cases involving civil disputes over infringements upon personal rights and interests through information networks.

***Regulations on Information Content and Censorship***

Internet content in China is regulated and restricted from a state security standpoint. Internet companies in China are required to complete security filing procedures and regularly update information security and censorship systems for their websites with local public security bureau.

On February 4, 2015, the CAC promulgated the Provisions on the Administration of Usernames of Internet Users' Accounts, which took effect on March 1, 2015 and require internet operators like us to censor usernames, icons and profiles provided by internet users and to refuse registration of non-compliant usernames or icons.

On December 15, 2019, the CAC released the Provisions on Governance of the Network Information Content Ecology, with effect from March 1, 2020. According to the Provisions, network information content producers are encouraged to produce, reproduce and publish positive information, such as "contents of revealing highlights of economic and social development and reporting the hard work and affluent life of the people". Meanwhile, network information content producers shall not produce, reproduce or publish any illegal information, such as information that "undermines national security, divulges state secrets, subverts the state power or jeopardize the national unity", and shall take measures to prevent and resist the production, reproduction and publication of adverse information, such as "overstated headlines that are significantly inconsistent with the contents". Meanwhile, the network information content service platforms are required to fulfill their primary responsibilities for management of information contents, strengthen the governance of the network information content ecology on their respective platform, and create a positive, healthy and amicable network culture. Furthermore, the Provisions note that network information content service platforms shall not disseminate any illegal information as aforementioned, and shall take precautions against and resist the dissemination of any adverse information specified in the Provisions, such as information use of exaggerated titles, with serious inconsistency between content and title, hyped gossip, scandals, misdeeds, etc.

On September 9, 2022, the CAC, MIIT and SAMR promulgated the Administrative Provisions on Information Notification Services, which took effect on September 30, 2022, which requires that providers of Internet pop-up window information push services shall abide by the Constitution, laws and administrative regulations, help promote the core socialist values, maintain a correct political direction, correct public opinion orientation and correct value orientation, and help maintain a clean cyberspace.

To comply with the above laws and regulations, we have implemented measures and regularly updated our information security and content- filtering systems with newly issued content restrictions as required by the relevant laws and regulations.

***Regulations on Privacy Protection***

The PRC Constitution states that PRC law protects the freedom and privacy of communications of citizens and prohibits infringement of these rights. In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure.

On July 16, 2013, MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users, which became effective in September 2013. According to which, telecommunication business operators and ICP operators are responsible for the security of the personal information of users they collect or use in the course of their provision of services. Without obtaining the consent from the users, telecommunication business operators and ICP operators may not collect or use the users' personal information. The personal information collected or used in the course of provision of services by the telecommunication business operators or ICP operators must be kept in strict confidence, and may not be divulged, tampered with or damaged, and may not be sold or illegally provided to others. The ICP operators are required to take certain measures to prevent any divulgence of, damage to, tampering with or loss of users' personal information.

On January 23, 2019, four relevant government authorities jointly issued the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps, pursuant to which, app operators should collect and use personal information in compliance with the Cyber Security Law and should be responsible for the security of personal information obtained from users and take effective measures to strengthen the personal information protection. Furthermore, app operators should not force their users to make authorization by means of bundling, suspending installation or in other default forms and should not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User's Personal Rights and Interests, which was issued by MIIT on October 31, 2019.

On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information. This regulation further illustrates certain commonly-seen illegal practices of apps operators in terms of personal information protection, including "failure to publicize rules for collecting and using personal information", "failure to expressly state the purpose, manner and scope of collecting and using personal information", "collection and use of personal information without consent of users of such App", "collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity", "provision of personal information to others without users' consent", "failure to provide the function of deleting or correcting personal information as required by laws" and "failure to publish information such as methods for complaints and reporting".

On May 28, 2020, the National People's Congress issued the Civil Code of the People's Republic of China (Civil Code), which came into effect in on January 1, 2021, the Civil Code provides a natural person shall have the right of privacy and the personal information of a natural person shall be protected in accordance with law. Information processors shall not divulge or tamper with the personal information collected or stored by them and shall not illegally provide any natural person's personal information to others without the consent of such natural person.

On March 12, 2021, the CAC and three other authorities jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications. The Rules specifies the scope of necessary personal information to be collected each for a variety of common mobile internet applications, such as maps and navigation apps, online ride-hailing apps, instant messaging apps, online community apps. Operators of such apps shall not refuse to provide basic services to users on the ground of users' refusal to provide their personal non-essential information.

On August 20, 2021, the Standing Committee of the National People's Congress adopted the Personal Information Protection Law which took effect on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities handling personal information shall bear responsibilities for their personal information handling activities, and adopt necessary measures to safeguard the security of the personal information they handle. The entities failing to comply could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

On December 31, 2021, the CAC together with other regulatory authorities published Administrative Provisions on Algorithm Recommendation for Internet Information Services, effective on March 1, 2022 which provides, among others, that algorithm recommendation service providers shall (i) establish and improve the management systems and technical measures for algorithm mechanism and principle review, scientific and technological ethics review, user registration, information release review, data security and personal information protection, anti-telecommunications and Internet fraud, security assessment and monitoring, and security incident emergency response, formulate and disclose the relevant rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation service; (ii) regularly review, evaluate and verify the principle, models, data and application results of algorithm mechanisms, (iii) strengthen information security management, establish and improve a feature database for identifying illegal and bad information, and improve entry standards, rules and procedures; (iv) strengthen the management of user models and user labels, and improve the rules on points of interest recorded into user models and user label management, and shall not record illegal and harmful information keywords into the points of interest of users or use them as user labels to push information.

***Regulations on Information Security***

The National People's Congress has enacted legislation that prohibits use of the internet that breaches the public security, disseminates socially destabilizing content or leaks state secrets. Breach of public security includes breach of national security and infringement on legal rights and interests of the state, society or citizens. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC national defense, state affairs and other matters as determined by the PRC authorities.

On November 23, 2005, the Ministry of Public Security promulgated The Provisions on Technological Measures for Internet Security Protection, which became effective in March 2006, require all ICP operators to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations. On December 18, 2012, the PRC National People's Congress promulgated The Decision on Strengthening Network Information Protection, or the Network Information Protection Decision, which states that ICP operators must request identity information from users when ICP operators provide information publication services to the users. If ICP operators come across prohibited information, they must immediately cease the transmission of such information, delete the information, keep relevant records, and report to relevant government authorities.

For the purpose to strengthen the safety management of Internet information services capable of creating public opinions or social mobilization and the relevant new technologies and new applications, regulate Internet information service activities, and safeguard national security, social order and public interests, on November 15, 2018, the CAC promulgated the Provisions on the Safety Assessment for Internet Information Services Capable of Creating Public Opinions or Social Mobilization, which took effect on November 30, 2018.

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, the Standing Committee of the PRC National People's Congress promulgated the Data Security Law of the People's Republic of China, or the Data Security Law, which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision, publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e. data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. As the Data Security Law has taken into effect on September 1, 2021, we may be required to make further adjustments to our business practices to comply with this law, as well as any adjustments that may be required by the ultimate Personal Information Protection Law.

On July 30, 2021, the State Council issued the Regulations on Protection of Critical Information Infrastructure, or the Regulations. Pursuant to the Regulations, critical information infrastructure shall mean the important network facilities or information systems of key industries or fields such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, and important network facilities or information systems which may endanger national security, people's livelihood and public interest once there occur damage, malfunctioning or data leakage to them. The Regulations provide that no individual or organization may carry out any illegal activity of intruding into, interfering with, or sabotaging any critical information infrastructures, or endanger the security of any critical information infrastructures. The Regulations also require that critical information infrastructure operators shall establish a cybersecurity protection system and accountability system, and that the main responsible person of a critical information infrastructure operator shall take full responsibility for the security protection of the critical information infrastructures operated by it. In addition, relevant administration departments of each important industry and sector shall be responsible for formulating the rule of critical information infrastructure determination applicable to their respective industry or sector, and determine the critical information infrastructure operators in their industry or sector.

On July 7, 2022, the CAC issued the Measures for Security Assessment of Cross-border Data Transfer. According to these measures, for certain outbound data transfer circumstances, the data processor shall apply to the national cyberspace administration authority for the security assessment via the local provincial-level cyberspace administration authority.

In addition, the State Secrecy Bureau has issued provisions authorizing the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets during online information distribution. Specifically, internet companies in the PRC with bulletin boards, chat rooms or similar services must apply for specific approval prior to operating such services.

On November 14, 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments), or the Draft Regulations. The Draft Regulations provide that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. In accordance with the Draft Regulations, data processors shall apply for a cybersecurity review for the following activities: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests to the extent that affects or may affect national security; (ii) listing abroad of data processors which process over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. Besides, data processors that are listed overseas shall carry out an annual data security assessment.

On December 8, 2022, the MIIT published the Data Security Administration Measures in Industry and Information Technology (Interim), or the Industry and Information Technology Measures, which became effect on January 1,2023. The Industry and Information Technology Measures requires that industrial and telecom data processors shall manage the industrial and telecom data by three levels according to relevant regulations and shall apply certain administrative rules corresponding to its level during collecting, storing, using, processing, transferring, providing and publicizing such data.

***Regulations on Network Security***

On November 7, 2016, the Standing Committee of the National People's Congress of China promulgated the Network Security Law of the People's Republic of China, or the Network Security Law or the Cybersecurity Law, which became effective on June 1, 2017. The Network Security Law governs the construction, operation, maintenance and use of networks as well as the supervision and administration of network security within China. As a network operator and a provider of network products and services, we are required to take measures to assure the security of network operations. For example, we are required to (a) protect our networks from disturbance, damage or unauthorized access, and to prevent our network data from being divulged, stolen or tampered with; (b) refrain from setting up malicious programs and, in the event of identifying security defects, loopholes or other risks in our network products or services, to promptly take remedial measures, notify users and report to competent authorities; (c) formulate emergency plans for network security incidents and combat any system loopholes, computer virus, network attack, network intrusion and any other security risks in a timely manner; and (d) refrain from engaging in activities that endanger network security. In addition, we are required to take measures to ensure network security. For example, we are required to (a) keep user information strictly confidential and establish and improve user information protection system; (b) collect and use user information only if it is legal, necessary and just to do so, and only with relevant users' consents; and (c) refrain from divulging, tampering with or damaging the user personal information that we have collected, or providing such personal information to third parties without the relevant users' consents. Failure to comply with the Network Security Law may result in penalties, including warnings, order compelling modification of existing operations or imposition of fines, or even criminal liabilities.

On August 9, 2017, the MIIT issued the Measures for Monitoring and Handling Threat to Network Security of the Public Internet, or the Monitoring Measures which became effective from January 1, 2018. Under the Monitoring Measures, the threat to network security of the public internet refers to any network resource, malicious program, hidden security danger or security accident that exists or is spread on the public internet and is likely to do or has done harm to the public, including the Trojan virus, worm, bot process and malicious mobile code. The Monitoring Measures requires the basic telecommunications enterprises, internet-based enterprises, domain name registries and registrars, etc. to provide technical support and assistance to competent telecommunications authorities when they are inquiring into owners of IP addresses, domain name registration information, etc. Failure to comply with such requirements may result in penalties, including warnings and imposition of fines.

On December 28, 2018, the SAMR and National Information Security Standardization Technical Committee jointly promulgated the Information Security Technology—Testing and Evaluation Process Guide for Classified Protection of Cybersecurity (GB/T 28449-2018), being effective from July 1, 2019. GB/T 28449-2018 set out the testing and evaluation process for three types of risks, which are risks affecting the normal operation of the system, risks of sensitive information disclosure and risks of trojans implants.

On December 28, 2021, twelve regulatory authorities jointly released the Cybersecurity Review Measures. The Cybersecurity Review Measures provides that: (i) network platform operators that are engaged in data processing activities which have or may have an implication on national security shall undergo a cybersecurity review; (ii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) network platform operators that master personal information of more than one million users and seek to list abroad shall file for a cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the Cybersecurity review process. The Cybersecurity Review Measures are relatively new and remain unclear on how it will be interpreted and implemented by the relevant PRC governmental authorities, it remains uncertain how PRC governmental authorities will regulate overseas listing in general and whether we are required to obtain any specific regulatory approvals for our offshore offerings. However, as of the date of this annual report, we have not received any formal notice from any cybersecurity regulator that we should apply for a cybersecurity review.

On October 25, 2022, the MIIT issued the Measures for the Administration of Recordation of Network Product Security Vulnerability Collection Platforms, or the Provisions. The provision prescribed that the recordation of vulnerability collection platforms shall be conducted through the NVDB of the MIIT by online recordation. The organizations or individuals that are to establish vulnerability collection platforms shall faithfully enter the recordation and registration information on the network product security vulnerability collection platforms through the NVDB of the MIIT. Such information shall mainly include: (i) names of vulnerability collection platforms, homepage URL, and Internet content provider (ICP) licenses or recordation numbers, and relevant URLs, official accounts on social networking software and other Internet channels for the release of vulnerability information; (ii) names and certificate numbers of sponsoring entities or individuals, and names and contact information of the principal persons in charge and contact persons of vulnerability collection platforms; (iii) scope and methods of vulnerability collection, rules for vulnerability verification and assessment, rules for instructing relevant responsible parties to fix vulnerabilities, rules for publishing vulnerabilities, rules for verifying registered users' identities, and rules for classified and hierarchical management, among others; (iv) relevant materials on the recordation of hierarchical cybersecurity protection obtained through the Communication Cybersecurity Protection Management System of the MIIT; (v) information on implementation of platform management, among others, in accordance with relevant national standards and industrial standards; and (vi) other information required to be explained, which is required to be submitted by the competent authorities.

***Regulations on Overseas Offering and Listing***

On July 6, 2021, the relevant PRC government authorities issued Opinions on Lawfully and Severely Combating Illegal Securities Activities. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Administrative Measures, which became effective on March 31, 2023. According to the Trial Administrative Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. And subsequent securities offerings of a public company in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed. Subsequent securities offerings

and listings of a public company in other overseas markets than where it has offered and listed shall be filed pursuant to provisions in the first paragraph of this Article of the Trial Administrative Measures.

***Regulations on Outbound Investment***

The PRC government imposes supervisions on the outbound investments. The NDRC, MOFCOM and SAFE are the primary governmental authority regulating activities involving the outbound investments in China. Regulations that apply to outbound investments primarily include:

- Administrative Measures for Outbound Investment by Enterprises, or the NDRC Order No. 11, promulgated by NDRC on December 26, 2017, effective since March 1, 2018 (NDRC Order No. 11);
- Catalogue of Investment Projects Subject to Government Verification and Approval (2016 Version), promulgated by the State Council on December 12, 2016, effective since then;
- Administrative Measures for Outbound Investment, issued by the MOFCOM on September 6, 2014, effective since October 6, 2014; and
- Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, promulgated by the SAFE on February 13, 2015, effective since then. The Annex of this notice, named Guidelines for Direct Investment Foreign Exchange Business Operations, was partially repealed according to Notice by the State Administration of Foreign Exchange of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration.

According to abovementioned regulations, outbound investment projects involving sensitive countries and regions or sensitive industries shall be subject to the verification and approval by the NDRC and MOFCOM respectively. Outbound investment projects other than those involving sensitive countries and regions or sensitive industries shall be managed by record-filing by the NDRC and MOFCOM respectively. Pursuant to NDRC Order 11, sensitive countries and regions shall include: countries with no diplomatic relations with China, countries and regions affected by wars, civil strife, countries and regions in which investment made by enterprises be limited under international treaties and agreements concluded or acceded to by China, etc., and sensitive industries shall include research, development, manufacturing and repair of weaponry, cross-border development and utilization of water resources, news media and other industries. After the completion of the NDRC and MOFCOM procedures, the domestic enterprises (including all types of legal persons) can at their discretion, choose the banks in their respective places of incorporation to go through Foreign Exchange Registration of Outbound Direct Investment, and may handle subsequent formalities for opening relevant accounts, fund exchange and other services (including the inflow of profits and dividends) under outbound direct investment only after Foreign Exchange Registration of outbound direct investment is completed.

On December 26, 2017, the NDRC promulgated the Administrative Measures for Outbound Investment by Enterprises, or the NDRC Order 11, which became effective on March 1, 2018. According to NDRC Order 11, the outbound direct investment projects carried out by the all types of legal persons shall still subject to the verification and approval or record-filing by the NDRC. Besides that, NDRC Order 11 shall apply to outbound investment projects carried out by the overseas enterprises that control by the domestic enterprises and PRC natural person. Under NDRC Order 11, control shall mean holding, directly or indirectly, more than half of the voting rights of an enterprise, or being able to dominate the operations, finance, personnel, technology or other important matters of an enterprise despite not holding more than half of the voting rights.

With respect to those domestic enterprises and natural persons newly covered by NDRC Order 11 who conduct outbound investment projects through controlled overseas enterprises (instead of making direct capital or interests investment, or providing direct financing or guarantee), (i) outbound investment projects involving sensitive countries and regions or sensitive industries will be subject to a verification and approval procedure; (ii) for outbound investment projects other than those involving sensitive countries and regions or sensitive industries, if the total investment from Chinese investor via overseas enterprise under its control exceeds US$300 million (inclusive), investors shall only submit a report to NDRC before the implementation of the project; if the total investment amount from Chinese investor via overseas enterprise under its control is less than US$300 million, then no pre-transaction verification, record-filing or reporting is required. According to NDRC Order 11 and Catalogue on Sensitive Industries in Outbound Investment (2018 Edition), sensitive countries and regions shall mainly include countries and regions which have not established diplomatic relations with China, or where war or civil unrest has broken out, or in which investment by enterprises shall be restricted pursuant to the international treaties, agreements, etc. concluded or acceded to by China; and sensitive industries shall include (i) research, production and maintenance of weaponry and equipment; (ii) development and utilization of cross-border water resources;

(iii) news media; (iv) real estate, (v) hotel, (vi) film studio, (vii) entertainment, (viii) sports club and (ix) establishment of an equity investment fund or investment platform without specific industrial projects abroad.

In addition to the pre-transaction regulation, NDRC Order 11 strengthens interim and ex post supervision. NDRC Order 11 provides mechanisms for major adverse situation reports, project completion reports, major matters inquiries and reports in order to achieve control over outbound investments; and further improved the disciplinary measures to achieve the after-regulation of overseas investment.

Violations of the regulations regarding outbound investment may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

On January 18, 2018, MOFCOM, PBOC, State-owned Assets, Supervision and Administration Commission of the State Council, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission, State Administration of Foreign Exchange (collectively "Seven Departments") promulgated Interim Measures for the Record-filing (Verification and Approval) and the Reporting of Outbound Investment Projects, or the Order No. 24. In particular, Seven Departments specified the procedure of record-filing and verification and approval of outbound investment. According to Order No. 24, Competent commerce departments and finance administrative departments shall be responsible for administration of the outbound investment projects of domestic investors either by record-filing or verification and approval according to their respective duties. Competent departments shall, according to their respective duties, formulate and improve corresponding measures for the record- filing (verification and approval) of outbound investment projects under the model of "ten negative lists for encouraging development".

Order No. 24 requires that a competent department shall conduct relevant examination according to the materials submitted by a domestic investor for record-filing (verification and approval), formally accept such materials if they meet relevant requirements, and take measures pursuant to relevant provisions. The materials that shall be submitted by domestic investors for outbound investment projects shall be prescribed by competent departments. After going through the procedures for record-filing (verification and approval) of outbound investment projects, domestic investors shall handle foreign exchange registration in accordance with the requirements of foreign exchange administrations.

Violations of the regulations regarding outbound investment may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

***Regulations of Foreign Investment***

Foreign investment in the PRC by foreign investors and foreign-invested enterprises used to abide by the Guidance Catalog of Industries for Foreign Investment, or the Foreign Investment Catalog jointly promulgated by the MOFCOM and NDRC on June 28, 1995 and was successively amended on December 31, 1997, April 1, 2002, November 30, 2004, October 31, 2007, December 24, 2011, March 10, 2015 and June 28, 2017. The Foreign Investment Catalog was later replaced by the Special Administrative Measures for Access of Foreign Investment, jointly promulgated by the MOFCOM and NDRC. On December 27, 2021, the MOFCOM and NDRC jointly issued the Special Administrative Measures for Access of Foreign Investment and took effect on January 1, 2022 (the "Negative List (2021 Version)"). According to the Negative List (2021 Version), foreign investment in internet news information services, online publication services, online audio-visual program services are prohibited, and foreign equity share in a value-added telecommunication business shall not exceed 50% (excluding e-commerce, domestic multi-party communication, store-and-forward, and call center).

On March 15, 2019, the Foreign Investment Law of the PRC or the "FIL", was approved and deliberated the Second Session of the 13th National People's Congress of China. On December 26, 2019, the Implementation Regulation for the Foreign Investment Law of the People's Republic of China, or the FIL Implementing Regulations, was issued by the State Council. On December 30, 2019, the MOFCOM and SAMR issued the Measures of Information Report of Foreign Investment, or the FI Information Report Measures. The FIL, the FIL Implementing Regulations and the FI Information Report Measures all came into force on January 1, 2020. The FIL and the FIL Implementing Regulations have replaced three laws on foreign investment (collectively "Three FDI law"), namely, the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises, and become a fundamental law of China in the foreign investment area, setting forth the basic legal framework in this regard.

The FIL clearly sets forth that foreign investment may be conducted through the following four ways: (i) foreign investor, independently or jointly with other investors, set up foreign-invested enterprises in China (the "Greenfield Investment"), (ii) foreign investors obtain shares, equities, property shares or other similar rights and interests of Chinese domestic enterprises (the "M&A"), (iii) foreign investor, independently or jointly with other investors, invests in a new project (the "Project Investment") and (iv) other

approach stipulated under laws, administrative regulations and provisions of the State Council. In this way, it is made clear that, in addition to the Greenfield Investments, foreign investments via M&A, Project Investment and other permitted approach shall all fall within the jurisdiction of FIL. Besides, the FIL clearly specifies that foreign investment includes direct foreign investment and indirect foreign investment. However, there is no further explanation about what would constitute an "indirect foreign investment".

According to the FI Information Report Measures, foreign investors establishing foreign investment enterprises in China shall submit an initial report through the Enterprise Registration System at the time of completion of registration formalities for establishment of foreign investment enterprises. Where there is a change in the information in the initial report which involves change registration (filing) of the enterprise, the foreign investment enterprise shall submit the change report through the enterprise registration system at the time of completion of change registration (filing) for the enterprise.

For the management of foreign investment, the FIL officially abolishes the "case-by-case approval" system established by Three FDI law, and instead establishes the administration system for foreign investment, amongst others, (i) the negative list—the negative list consists of a list of industry sectors where foreign investments are prohibited (the "Prohibited Sectors") and a list of industry sectors in which foreign investments are restricted (the "Restricted Sectors"); (ii)the information reporting system—foreign investors or foreign investment entities (FIEs) are required to submit investment information to the competent authorities through the system of enterprises registration and enterprise credibility disclosure; and (iii) the national security review, which will be conducted over foreign investments that affects or may affect the state security. The FIL further stipulates the legal liabilities for foreign investment in the Prohibited or Restricted Sectors and failing to report in accordance with the requirements. Failure to comply with the FIL may result in penalties, including order the foreign investor to stop the investment activities, dispose of the shares or assets or take other necessary measures within a specified time limit, or confiscation of illegal gains.

The VIE structure we adopt is commonly used by foreign investors to invest in China in the Prohibited Sectors or Restricted Sectors. The draft Foreign Investment Law, promulgated on January 19, 2015, attempted to cover the VIE structure as a form of foreign investment. However, the FIL leaves it blank and it is vague whether the VIE structure will be interpreted and regulated to fall into the scope of the FIL. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

On December 19, 2020, the NDRC and the MOFCOM promulgated Measures for Security Review of Foreign Investment, or the Security Review Measures, being effective from January 18, 2021. According to the Security Review Measures, the state shall establish a working mechanism for the security review of foreign investment (the "Security Review Mechanism") in charge of organization, coordination, and guidance of foreign investment security review. A working mechanism office shall be established under the NDRC and led by the NDRC and the MOFCOM to undertake routine work on the security review of foreign investment. According to the Security Review Measures, in terms of foreign investments falling in the scope such as important cultural products and services, important information technologies and Internet products and services, important financial services, key technologies and other important fields that concern state security while obtaining the actual control over the enterprises invested in, a foreign investor or a party concerned in the PRC shall take the initiative to make a declaration to the working mechanism office prior to making the investment.

On February 24, 2023, the CSRC and the other relevant PRC government authorities issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the "Confidentiality and Archives Administration Provisions"), which became effective on March 31, 2023, according to which a domestic company, including a joint-stock company incorporated domestically that conducts direct overseas offering and listing, and a domestic operating entity of a company that conducts indirect overseas offering and listing, its securities in an overseas market shall strictly abide by applicable PRC laws and regulations, enhance legal awareness of keeping state secrets and strengthening archives administration, institute a sound confidentiality and archives administration system, and take necessary measures to fulfill confidentiality and archives administration obligations. According to the Confidentiality and Archives Administration Provisions, during the course of an overseas offering and listing, if a domestic enterprise needs to publicly disclose or provide to securities companies, accounting firms or other securities service providers and overseas regulators, any materials that contain relevant state secrets, government work secrets or that have a sensitive impact (i.e. any documents and materials that contain state secrets or working secrets of government agencies, or any other documents and materials that will be detrimental to national security or public interest if leaked), the domestic enterprise shall strictly fulfill relevant procedures stipulated by applicable national regulations.

***Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution***

***Foreign Currency Exchange***. The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008, or the FEA Regulations. Under the FEA Regulations, the Renminbi is freely

convertible for current account items subject to certain rules and procedures, including the distribution of dividends, and trade- and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foreign Exchange, or the SAFE, is obtained and prior registration with the SAFE is made.

Furthermore, on March 30, 2015, the SAFE promulgated the Circular on the Reform of the Administrative Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 19, which became effective as of June 1, 2015. This Circular 19 is to implement the so-called "conversion-at-will" of foreign currency in capital account, which was established under a circular issued by the SAFE on August 4, 2014, or Circular 36, and was implemented in 16 designated industrial parks as a reform pilot. Among other things, under Circular 19, foreign-invested enterprises may either continue to follow the payment-based foreign currency settlement system or select to follow the conversion-at-will of foreign currency settlement system. Where a foreign-invested enterprise follows the conversion-at-will of foreign currency settlement system, it may convert any or 100% amount of the foreign currency in its capital account into RMB at any time. The converted RMB will be kept in a designated account known as "Settled but Pending Payment Account", and if the foreign-invested enterprise needs to make further payment from such designated account, it still needs to provide supporting documents and go through the review process with its bank. If under special circumstances the foreign-invested enterprise cannot provide supporting documents in time, Circular 19 grants the banks the power to provide a grace period to the enterprise and make the payment before receiving the supporting documents. The foreign-invested enterprise will then need to submit the supporting documents within 20 working days after payment. In addition, foreign-invested enterprises are now allowed to use their converted RMB to make equity investments in China under Circular 19. However, foreign-invested enterprises are still required to use the converted RMB in the designated account within their approved business scope under the principle of authenticity and self-use. It remains unclear whether a common foreign- invested enterprise, other than such special types of enterprises as holding companies, venture capital or private equity firms, can use the converted RMB in the designated account to make equity investments if equity investment or the like is not within their approved business scope. The SAFE promulgated the Circular on the Reform and Standard of the Administrative Policy of the Capital Account Foreign Exchange Settlement, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, to relax the control over using the RMB funds converted from foreign exchange earnings under capital account to offer loans by solely prohibiting offering loans to non-associated enterprises, while setting no prohibition on loans to associated enterprises.

On October 23, 2019, the SAFE promulgated the Notice of Foreign Exchange of Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, and the Notice of the State Administration of Foreign Exchange on Reducing Foreign Exchange Accounts, or SAFE Circular 29, clearly cancelling the restrictions on domestic equity investment of capital funds by ordinary foreign-invested enterprises. SAFE Circular 28 stipulates that non-investment oriented foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the law under the premise of not violating the existing special management measures for entry of foreign investment (negative list) and the authenticity and compliance of their domestic invested projects. Where a non-investment oriented foreign-invested enterprise makes domestic equity investment by way of transfer of the capital funds in original currency, the Investee Companies shall go through the registration of domestic reinvestment and open the capital account for receipt of funds in accordance with relevant provisions without handling the entry registration of cash contribution; where a non-investment oriented foreign-invested enterprise makes domestic equity investment by way of foreign exchange settlement of capital funds, the Investee Companies shall go through the registration of receipt of domestic reinvestment and open the "Capital Account –Account for Foreign Exchange Settlement Pending Payment" for receipt of corresponding funds in accordance with relevant provisions.

SAFE Circular 29 and its appendix Operational Guidance for Handling Relevant Foreign Exchange Business under Capital Account by Banks, or the "Operational Guidance", effective as of January 1, 2020, further clarify the ways for non-investment oriented foreign-invested enterprises to carry out domestic equity investment in the form of the transfer of original currencies or the settlement of capital funds. A domestic institution receives reinvestment funds or equity transfer consideration from two (or more) different investment entities, it shall complete registration formalities based on the different source entities and (or currency) respectively and open a foreign exchange capital account or foreign exchange settlement pending payment account.

The Operational Guidance further provides that the foreign exchange receipts under capital accounts of domestic institutions and the RMB funds obtained from foreign exchange settlement may be used by domestic institutions for expenditures under current accounts within their business scope, or for expenditures under capital accounts permitted by laws and regulations. However, the following expenditures are prohibited: (i) shall not be directly or indirectly used for expenditures beyond the business scope of an enterprise or expenditures prohibited by laws and regulations of the State; (ii) shall not be directly or indirectly used for securities investments or other investments or wealth management other than banks' principal-protected products, unless otherwise expressly provided by laws and regulations; (iii) shall not be used for granting loans to non-affiliated enterprises, unless expressly permitted in

the business scope; and (iv) shall not be used for constructing or purchasing real estate not for self-use (except for real estate enterprises).

On April 10, 2020, the SAFE issued the Circular of the SAFE on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business, being effective from the same date. The Circular optimized the foreign exchange administration from the following aspects: promoting the facilitation reform of capital account income payment nationwide; (ii) cancelation of the registration of special refund business; (iii) Simplify the registration and management of certain capital project businesses; (iv) relaxation of domestic foreign exchange loans with export background to purchase foreign exchange and repay; (v) facilitating the use of electronic documents for foreign exchange business; (vi) Optimization the bank's cross-border e-commerce foreign exchange settlement; (vii) relaxation of business review and endorsement procedures; (viii) supporting banks to innovate financial services.

***Foreign Debt.*** A loan made by a foreign entity as direct or indirect shareholder in a FIE is considered to be foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, the Statistical Monitoring of Foreign Debts Tentative Provisions, the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the maximum amount of the aggregate of (i) the outstanding balance of foreign debts with a term not longer than one year, and (ii) the accumulated amount of foreign debts with a term longer than one year, of a foreign-invested enterprise shall not exceed the difference between its registered total investment and its registered capital, or Total Investment and Registered Capital Balance. In addition, on January 11, 2017, the PBOC promulgated the Notice of the People's Bank of China on Full-coverage Macro-prudent Management of Cross-border Financing, or PBOC Circular 9, which sets forth an upper limit for PRC entities, including FIEs and domestic-invested enterprises, regarding their foreign debts. Pursuant to PBOC Circular 9, the limit of foreign debts for enterprises shall be calculated based on the following formula: the limit of foreign debt (the "Net Assets Limit") = net assets * cross-border financing leverage ratio * macro-prudent regulation parameter. Net assets is calculated as the net assets value stated in the relevant entity's latest audited financial statement. The cross-border financing leverage ratio for enterprises is two (2). The macro-prudent regulation parameter is one (1). The PBOC Circular 9 does not supersede the Interim Provisions on the Management of Foreign Debts, but rather serves as a supplement to it. PBOC Circular 9 provided for a one-year transitional period, or the Transitional Period, from its promulgation date for FIEs, during which period foreign-invested enterprise could choose to calculate their maximum amount of foreign debt based on either (i) the Total Investment and Registered Capital Balance, or (ii) the Net Assets Limit. After the Transition Period, the maximum amount applicable to foreign-invested enterprises is to be determined by PBOC and SAFE separately. However, although the Transitional Period ended on January 10, 2018, as of the date of this annual report, neither PBOC nor SAFE has issued any new regulations regarding the appropriate means of calculating the maximum amount of foreign debt for FIEs. Domestic-invested enterprises have only been subject to the Net Assets Limit in calculating the maximum amount of foreign debt they may hold from the date of promulgation of PBOC Circular 9.

On March 15, 2019, the SAFE promulgated of Issuing the Provisions on the Centralized Operation and Management of Cross-Border Capital of Multinational Companies, or Circular 7, which became effective since then, further facilitating trade and investment. Under SAFE Circular 7, multinational companies, which meets several conditions prescribe in Article 5 of Circular 7, may, under the principle of macro-prudential management, centralize the foreign debt quotas and/or overseas lending quotas of domestic member enterprises, and carry out the business of borrowing foreign debt and/or overseas lending according to commercial practices within the cap of centralized quotas. When a branch of the State Administration of Foreign Exchange at the place where the lead enterprise is located issues a notice of recordation to the lead enterprise, it shall, according to the centralized quotas that have been granted recordation, conduct one-off registration of foreign debt and/or overseas lending for the lead enterprise, so that the lead enterprise is not required to go through procedures for the registration of foreign debt (or overseas lending) on a deal-by-deal basis by currency or by creditor (or debtor).

In addition, SAFE Circular 28 reforms the administration of registration of external debts of enterprises, the administrative requirement that non-bank debtors shall undergo external debt deregistration formalities at the local foreign exchange authority is canceled. A non-bank debtor may directly undergo external debt deregistration formalities which meet relevant conditions at the bank under the jurisdiction of the foreign exchange authority to which it is affiliated. The time limit for non-bank debtors to handle external debt deregistration is canceled. The pilot program of deregistering each external debt by non-financial enterprises is carried out. Non-financial enterprises in pilot regions may complete external debt registration at two times the amount of net assets at the foreign exchange authority where it is located. Non-financial enterprises may borrow external debts within the registered amount on their own, and directly undergo such formalities as inward and outward remittance of funds and foreign exchange purchase and sale at banks, and handle international balance of payments in accordance with relevant provisions.

***Dividend Distribution***. On March 15, 2019, the National People's Congress adopted the Foreign Investment Law of the People's Republic of China, or FIL, which became effective on January 1, 2020.The FIL sets out that the business forms, structures, and rules of activities of foreign-funded enterprises shall be governed by the Company Law of the People's Republic of China, the Partnership Law of the People's Republic of China, and other laws. Foreign-funded enterprises formed under the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises before the implementation of FIL Law may maintain their original business forms, among others, for five years after FIL Law comes into force.

According to the Company Law, if the aggregate balance of the company's statutory common reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph. After we have drawn statutory common reserve, which is 10% of the after-tax profit, from the after-tax profits, it may, upon a resolution made by the shareholders' meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders in proportion to the actual capital contribution actually paid by them, unless otherwise agreed upon by all the shareholders. We may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of our registered capital.

***Circular 37***. In July 2014, the SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Round-trip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, which repealed SAFE Circular 75 effective from July 4, 2014. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents to seek offshore investment and financing and conduct round trip investment in China. Under SAFE Circular 37, an SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents for the purpose of seeking offshore financing or making offshore investment, using legitimate domestic or offshore assets or interests, while "round trip investment" refers to the direct investment in China by PRC residents through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 requires that, before making contribution into an SPV, PRC residents are required to complete foreign exchange registration with the SAFE or its local branch. SAFE Circular 37 further provides that option or share-based incentive tool holders of a non-listed SPV can exercise the options or share incentive tools to become a shareholder of such non-listed SPV, subject to registration with SAFE or its local branch. However, in practice, different local SAFE branch may have different views and procedures on the interpretation and implementation of the SAFE regulations, and since Circular 37 was the first regulation to regulate the foreign exchange registration of a non-listed SPV's option or share incentives granted to PRC residents, there remains uncertainty with respect to its implementation.

PRC residents who have contributed legitimate domestic or offshore interests or assets to SPVs but have yet to obtain SAFE registration before the implementation of the SAFE Circular 37 shall register their ownership interests or control in such SPVs with the SAFE or its local branch. An amendment to the registration is required if there is a material change in the SPV registered, such as any change of basic information (including change of such PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. If the PRC residents fail to complete the SAFE registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

To our knowledge, all our significant individual PRC shareholders have completed foreign exchange registration in connection with our initial public offering.

***Stock Option Rules***. The Administration Measures on Individual Foreign Exchange Control were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, were promulgated by the SAFE on February 15, 2012. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with the SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock

incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to the SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with the SAFE or its local branches.

We and our PRC citizen employees who have been granted share options, or PRC optionees, have become subject to the Stock Option Rules after we became a public company in the United States. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law."

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

***Regulation on Tax***

*PRC Enterprise Income Tax*

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable Enterprise Income Tax Law, or the EIT Law and its implementation rules, both of which became effective on January 1, 2008 and were most recently amended on December 29, 2018 and April 23, 2019, respectively. Under the EIT Law and its implementing regulations, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organized under the laws of foreign countries and whose actual management is conducted outside the PRC, but who have established institutions or premises in the PRC or income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if their permanent establishment or premises in the PRC have no actual relationship to the relevant income derived in the PRC, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% enterprise income tax rate if they meet certain criteria and are officially acknowledged. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years. In 2020, the relevant governmental authorities further announced that Key Software Enterprises will be exempted from enterprise income tax for the first five years, commencing from the first year of profitable operation after offsetting tax losses generating from prior years, and be subject to a preferential income tax rate of 10% after the first five years. In accordance with the requirements of Cai Shui [2014] No. 26 and Cai Shui [2022] No. 19, enterprises located in the Heng Qin New Area of Zhuhai City, which qualified as encouraged industrial enterprises and met the substantive operational requirements, are subject to a tax rate of 15%.

According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market), PRC tax reporting and payment obligations may be triggered. On February 3, 2015, SAT issued a new guidance (Bulletin [2015] No. 7), or SAT Bulletin 7, on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise. SAT Bulletin 7 is the latest regulatory instrument on indirect transfers, extending to not only the indirect transfer of equity interests in PRC resident enterprises but also to assets attributed to an establishment in China and immovable property in China or, collectively, Chinese Taxable Assets. Further, on October 17, 2017, SAT issued the Matters Regarding Withholding Corporate Income Tax at Source from Non-resident Enterprises (Bulletin [2017] No. 37), or SAT Bulletin 37, which replaced SAT Circular 698

and specified the withhold obligation of the transferees. According to SAT Bulletin 7 and SAT Bulletin 37, when a non-resident enterprise engages in an indirect transfer of Chinese Taxable Assets, or Indirect Transfer, through an arrangement that does not have a bona fide commercial purpose in order to avoid paying enterprise income tax, the transaction should be re-characterized as a direct transfer of the Chinese assets and becomes taxable in China under the EIT Law, and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%, and the party who is obligated to make the transfer payments has the withholding obligation. SAT Bulletin 7 and 37 have replaced SAT Circular 698 in its entirety. They provide more comprehensive guidelines on a number of issues. Among other things, SAT Bulletin 7 substantially changes the reporting requirements in SAT Circular 698, provides more detailed guidance on how to determine a bona fide commercial purpose, and also provides for a safe harbor for certain situations, including purchase and sale of shares in an offshore listed enterprise on a public market by a non-resident enterprise, which may not be subject to the PRC enterprise income tax. In addition, SAT Circular 698 has been abolished by Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source issued by the PRC State Administration of Taxation on October 17, 2017, with retroactive effect from December 1, 2017, or SAT Circular 37. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We face uncertainties with respect to indirect transfer of assets or equity interest in PRC resident enterprises by their non-PRC holding companies." For more details of the relevant tax regulations, see "Item 10. Additional Information—E. Taxation—People's Republic of China Taxation."

Moreover, the PRC Enterprise Income Tax Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities, while the basic rules are regulated by the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures, or Bulletin 6, which became effective as of May 1, 2017. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and the VIEs were not on an arm's length basis and therefore constituted improper transfer pricing arrangements. See "Item 3. Key Information—D. Risk Factors— Risks Relating to Our Corporate Structure—Our contractual arrangements with the VIEs may result in adverse tax consequences to us."

*PRC Value-added Tax (VAT)*

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT. The VAT tax rates generally applicable are simplified as 13%, 9%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. In addition, sales of self-developed software products or license fees from self-developed software are entitled to a VAT refund with respect to the part whose actual VAT burden exceeds 3%.

*Cultural Development Fee*

According to applicable PRC tax regulations or rules, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the revenues (a) which are generated from providing advertising services and (b) which are also subject to the value-added tax. Cultural Development Fee was exempted in 2020 and 2021.

*Dividend Withholding Tax*

Under the old EIT Law that was effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by Zhuhai Juntian and Conew Network, our PRC subsidiaries, were exempt from PRC withholding tax. Pursuant to the EIT Law and its implementation rules, dividends from income generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10%, unless non-resident enterprise investor's jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation."

As uncertainties remain regarding the interpretation and implementation of the EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Under the PRC Enterprise Income Tax Law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment."

***Regulations on Labor Laws and Social Insurance***

The principal laws that govern employment include:

- Labor Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on July 5, 1994, effective since January 1, 1995 and amended on August 27, 2009 and December 29, 2018;
- Labor Contract Law of the People's Republic of China, promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and effective since January 1, 2008 and amended on December 28, 2012;
- Implementation Rules of the PRC Labor Contract Law, promulgated by the State Council on September 18, 2008 and effective since September 18, 2008;
- Work-related Injury Insurance Regulations, promulgated by the State Council on April 27, 2003 and effective since January 1, 2004 and amended on December 20, 2010;
- Interim Regulations on the Collection and Payment of Social Insurance Fees, promulgated by the State Council on January 22, 1999, effective since January 22, 1999 and amended on March 24, 2019;
- Social Insurance Law promulgated by the National People's Congress on October 28, 2010, effective since July 1, 2011 and amended on December 29, 2018; and
- Regulations on Unemployment promulgated by the State Council on January 22, 1999, effective since January 22, 1999.

According to the Labor Law and Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and workplace sanitation, strictly comply with state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

In addition, pursuant to the Social Insurance Law, employers in China are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

***M&A Regulations***

On August 8, 2006, six PRC governmental agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the 2006 M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. "Mergers and acquisitions of domestic enterprises by foreign investors" refers to: (a) a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company, or the Equity Merger and Acquisition; or (b) a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (c) a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets, or the Assets Merger and Acquisition.

The M&A Rules provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person (the "Affiliated M&A"), the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

After the implementation of the FI Information Report Measures on January 1, 2020, where a foreign investor acquires a domestic non-foreign-invested enterprise by equity, it shall submit an initial report through the enterprise registration system when handling the change registration for the acquired enterprise instead of obtaining the approval of the MOFCOM or its delegates at provincial level. However, regarding the affiliated M&A, according to the Negative List (2021 Version), a M&A of affiliated domestic companies by domestic companies, enterprises or natural persons via the companies legally established or controlled overseas, it shall still apply to the foreign investment, overseas investment, foreign exchange administration and other relevant regulations.

The M&A Rules also require offshore special purpose vehicles formed to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle's securities on any stock exchange overseas.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC legal counsel, Global Law Office, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of the ADSs on NYSE because the CSRC approval requirement applies to SPVs that acquired equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV and seek overseas listing, and our PRC subsidiaries were incorporated as wholly foreign-owned enterprises by means of direct investment rather than by merger or acquisition by our company of the equity interest or assets of any "domestic company" as defined under the M&A Rules, and no provision in the M&A Rules classifies the contractual arrangements between our company, our PRC subsidiaries and any of the VIEs, either by each agreement itself or taken as a whole, as a type of acquisition transaction falling under the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Global Law Office, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

***Regulations of securities***

The Securities Law of the PRC, or the PRC Securities Law, took effect on July 1, 1999, and was revised as of August 28, 2004, October 27, 2005, June 29,2013, August 31, 2014 and December 28, 2019, respectively. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. Article 177 of the PRC Securities Law provides that no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and without the consent of the securities authorities and the relevant competent authorities of the State Council, no entity or individual may provide documents or materials relating to securities business activities to overseas. Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

## C. Organizational Structure

Foreign ownership of internet-based and mobile-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, distribution of online information, online advertising and distribution and operation of online games through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership of PRC companies that provide internet information services to no more than 50%. In addition, foreign investors are prohibited from investing in or operating, among other things, any entities that operate internet cultural activities such as online games.

As a Cayman Islands company, in order for us to be able to carry on our business in China, we conduct part of our operations in China through the VIEs including but not limited to Beijing Mobile and Beijing Network. Each of Beijing Mobile (which is owned as to 35% by Mr. Sheng Fu and 65% by Ms. Weiqin Qiu) and Beijing Network (which is owned as to 50% by Mr. Kun Wang and 50% by Mr. Wei Liu) holds the requisite ICP Licenses. We have been and are expected to continue to be dependent on the VIEs to operate our business in China if the then PRC law does not allow us to directly operate such business in China. We believe that under these contractual arrangements, we have sufficient control over the VIEs and their respective shareholders to renew, revise or enter into new contractual arrangements prior to the expiration of the current arrangements on terms that would enable us to continue to operate our business in China validly and legally.

Our contractual arrangements with each of the VIEs and their shareholders enable us to:

- exercise effective control over the VIEs;
- receive substantially all of the economic benefits of the VIEs in consideration for the services provided by Beijing Security and Conew Network, our wholly-owned subsidiaries in China; and
- have an exclusive option to purchase all of the equity interests in the VIEs, when and to the extent permitted under PRC law, regulations or legal proceedings.

For a diagram summarizing our corporate structure and identifying the significant subsidiaries and the VIEs as of the date of this annual report, please refer to "Item 3. Key Information—Our Holding Company Structure and Contractual Arrangements with the Consolidated Variable Interest Entities." Pursuant to Catalogue of Industries for Encouraging Foreign Investment (2022 Version) and Negative List (2021 Version), Beijing Security is currently engaged in the business of technology promotion, technology development, technology service and technology consultancy, sale of computers, software, auxiliary devices and AI hardware, computer animation design, investment consultancy and advertisement design, production, agency and publication, all of which are permitted foreign investment industries under Catalogue of Industries for Encouraging Foreign Investment (2022 Version) and Negative List (2021 Version).

Conew Network is currently engaged in the business of research and development of digital technology, telecommunication technology and relevant products, self-technology transfer, technology service, technology consultancy and computer technology training, sale of self-developed products, graphic design, business consultancy and investment consultancy, all of which are permitted foreign investment industries under Catalogue of Industries for Encouraging Foreign Investment (2022 Version) and Negative List (2021 Version).

**Contractual Arrangements with the VIEs**

The following is a summary of the currently effective contracts among our company, our subsidiary Beijing Security, our VIE Beijing Mobile, and the shareholders of Beijing Mobile. We have entered into substantially similar contractual arrangements with our other VIEs, including but not limited to Beijing Network.

***Agreements that provide us with effective control over Beijing Mobile***

*Business operation agreement*. Pursuant to the business operation agreement by and among Beijing Security, Beijing Mobile and its shareholders, Beijing Mobile and its shareholders agreed to accept and follow Beijing Security's suggestions on their daily operations and financial management. The shareholders of Beijing Mobile must appoint candidates designated by Beijing Security to its board of directors and appoint candidates designated by Beijing Security as senior executives of Beijing Mobile. In addition, the shareholders of Beijing Mobile confirm, agree and jointly guarantee that Beijing Mobile shall not engage in any transaction that may materially affect its assets, business, employment, obligations, rights or operations without the prior written consent of Beijing Security. The shareholders of Beijing Mobile also agree to unconditionally pay or transfer to Beijing Security any bonus, dividends, or any other profits or interests (in whatever form) that they are entitled to as shareholders of Beijing Mobile, and waives any consideration connected therewith. The agreement has a term of ten years, unless terminated at an earlier date by Beijing Security. Neither Beijing Mobile nor its shareholders may terminate this agreement.

*Shareholder voting proxy agreement*. Under the shareholder voting proxy agreement by and among our company, Beijing Mobile and its shareholders, each of Beijing Mobile's shareholders irrevocably nominates, appoints and constitutes any person designated by our company as its attorney-in-fact to exercise on such shareholder's behalf any and all rights that such shareholder has in respect of its equity interests in Beijing Mobile (including but not limited to the voting rights and the right to nominate executive directors of Beijing Mobile). This proxy agreement shall remain valid during the existence of Beijing Mobile. Without the prior written consent of our company, existing shareholders of Beijing Mobile shall not amend or terminate this proxy agreement or revoke the or revoke the voting proxy to our company.

*Equity pledge agreement*. Under the equity pledge agreement between Beijing Security, Beijing Mobile and its shareholders, the shareholders of Beijing Mobile have pledged all of their respective equity interests in Beijing Mobile to Beijing Security to guarantee (i) the performance of all the contractual obligations of Beijing Mobile and its shareholders under this agreement, the exclusive technology development, support and consultancy agreement, exclusive equity option agreement and other agreements concluded from time to time by and among our company, Beijing Security, Beijing Mobile and its shareholders, and (ii) the repayment of all liabilities that may be incurred under all of the aforementioned agreements. In the event of default, Beijing Security has the first priority to be compensated through the sale or auction of the equity interests pledged. The shareholders of Beijing Mobile or their successors or representatives and Beijing Mobile shall ensure that Beijing Mobile will not distribute dividends to shareholders, make property distributions, reduce capital, initiate liquidation procedures or make distributions in any other form without prior written consent of Beijing Security. This pledge will remain effective until all the guaranteed obligations have been performed or all the guaranteed liabilities have been repaid. We have completed the registration of equity pledge relating to each of the significant VIEs with the relevant government authorities in China.

***Agreement that transfers economic benefits to us***

*Exclusive technology development, support and consultancy agreement*. Under the exclusive technology development, support and consultancy agreement between Beijing Security and Beijing Mobile, Beijing Security has the exclusive right to provide Beijing Mobile with services related to Beijing Mobile's business, including but not limited to technology development, support and consulting services. Beijing Security has the sole right to determine the service fees and settlement cycle, and the service fees shall in no event be less than 30% of the pre-tax revenue of Beijing Mobile in relation to the relevant service. Beijing Security will exclusively own any intellectual property arising from the performance of this agreement. This agreement will be effective unless terminated according to the terms of the agreement or otherwise terminated by mutual agreement of the signing parties.

***Agreements that provide us with the option to purchase the equity interest in Beijing Mobile***

*Loan agreements*. Under the loan agreements by and among Beijing Security and the shareholders of Beijing Mobile, Beijing Security shall have made interest-free loans in an aggregate amount of RMB6.5 million to the two individual shareholders of Beijing Mobile, for the sole purpose of contributing to the registered capital of Beijing Mobile. The loans have no definite maturity date. Beijing Security may request repayment at any time, and either shareholder of Beijing Mobile may offer to repay part or all of the loan at any time. The shareholders of Beijing Mobile shall, subject to the PRC laws, repay the loans by transferring the equity interest they hold in Beijing Mobile to Beijing Security or a third party that it designates.

*Exclusive option agreement*. Under the exclusive option agreement by and among our company, Beijing Mobile and its shareholders, our company was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by the shareholders in Beijing Mobile or to acquire, all or part of the assets owned by the Beijing Mobile at any time at an exercise price that is equal to the minimum price permitted under the PRC laws or is equal to the entire principal and interest (including all principal and interest under the existing loan agreement) owed by the existing shareholder to the Beijing Security due to the fulfillment of the registered capital paid obligations in the Beijing Mobile. In addition, this agreement stipulates that our company can provide financial support to Beijing Mobile to the extent permissible under the applicable PRC laws and regulations, regardless of whether Beijing Mobile has incurred an operational loss. The form of financial support includes but is not limited to entrusted loans and borrowings. Our company will not request repayment of any outstanding loans or borrowings from Beijing Mobile if Beijing Mobile do not have sufficient funds or are unable to repay such loans or borrowings. Unless terminated according to the agreement itself, the agreement has a term of ten years, which will automatically extend on a decadely basis.

In addition to the above contracts, the spouses of certain shareholders of the VIEs have executed spousal consent letters. Pursuant to the spousal consent letters, the spouses acknowledged that certain equity interests in the respective VIEs held by and registered in the name of his or her spouse will be disposed of pursuant to relevant arrangements under the shareholder voting proxy agreement, the exclusive option agreement and the equity pledge agreement and other agreements under contractual arrangements. These spouses undertake not to take any action to interfere with the disposition of such equity interests.

As a result of these contractual arrangements, we are considered the primary beneficiary of the VIEs as we have the power to direct activities of these entities and can receive substantially all economic interests in these entities even though we do not necessarily receive all of the VIEs' revenues. Accordingly, we treat them as the VIEs under U.S. GAAP and have consolidated the results of operation of the VIEs and the then subsidiaries of the VIEs in our consolidated financial statements in accordance with U.S. GAAP. The VIEs and the then subsidiaries of the VIEs together contributed 36.6%, 33.1% and 31.8% of our revenues for the years ended December 31, 2020, 2021 and 2022, respectively.

In the opinion of our PRC legal counsel, Global Law Office:

- the corporate structure of our PRC subsidiaries and VIEs does not result in any violation of all existing PRC laws and regulations;
- each of the VIE agreements among us or our first-tier subsidiaries, either Beijing Security or Conew Network, Cheetah Mobile Inc., each of the VIEs and its respective shareholders (as the case may be) governed by PRC law is valid and binding, and does not result in any violation of PRC laws or regulations currently in effect; and
- each of our PRC subsidiaries and VIEs has the necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of each of our PRC subsidiaries and VIEs are in full force and effect. Each of our PRC subsidiaries and VIEs is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of our PRC legal counsel's knowledge after due inquiries, none of our PRC subsidiaries and VIEs or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings, or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, Global Law Office, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure" for "—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations" and "—Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations."

### D. Property, Plants and Equipment

As of December 31, 2022, our principal executive offices were located on leased premises comprising approximately 7,689 square meters in Beijing, China. This facility accommodates our management headquarters, principal development, engineering, legal, finance and administrative activities. We also have offices overseas, mainly in Japan.

Our products and services are mainly deployed on various cloud service providers such as Tencent and Amazon. We believe these arrangements are more cost-effective than acquiring our own servers. We believe that our existing facilities are sufficient for our current need and we expect to obtain additional facilities, principally through leasing, to accommodate our future expansion plans.

We have deployed AI robots in some shopping malls and restaurants in China's tier one and tier two cities. As of December 31, 2022, we have approximately 11,000 AI robots deployed in shopping malls and restaurants in Beijing, Shanghai, Shenzhen and many other cities in Mainland China. Our AI robots were purchased from Beijing OrionStar, we believe our existing AI robots are sufficient for our current needs and will arrange for the production based on demand and deployment forecasts.

## Item 4A. Unresolved Staff Comments

None.

## Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion and analysis may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Item 3. Key Information—D. Risk Factors" or in other parts of this annual report. For discussion of 2020 items and year-over-year comparisons between 2021 and 2020 that are not included in this annual report on Form 20-F, please refer to "Item 5. Operating and Financial Review and Prospects" found in our Form 20-F for the year ended December 31, 2021 that was filed with the Securities and Exchange Commission on July 26, 2022.

### A. Operating Results

**Overview**

We are a China-based IT company. We have attracted hundreds of millions of users through an array of utility products such as Clean Master released in 2012. Leveraging our success on utility products, we launched mobile entertainment products, including mobile games such as Piano Tiles 2. On February 20, 2020, our Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and generate revenue from Google. Furthermore, we disposed major gaming-related business in 2020.

We have deployed AI robots in some shopping malls and restaurants in China's tier one and tier two cities. Through voice interaction and AI technologies, these robots are able to attract customers, provide services and perform marketing campaigns to amplify partner promotions and build brand recognition. In 2021, we have started a business model of E-coupon vending robots, which is a brand-new inside-shopping-mall and inside-restaurants marketing mode to effectively attract customers for merchants. We applied both offline and online marketing strategies to expand the business. Offline, we use our robots which have been deployed in the shopping malls and restaurants. Online, we use our own Wechat mini program – Quanduoduo, some other local network

communities as well as some mainstream third-party platforms. In 2022, we started our live commerce business to sell various food products, which are also offered in Quanduoduo. Although these business have made good progress in 2022, they are still at the early stage, we do not expect significant revenue inflows from these in the near future.

We also provide multi-cloud management and overseas advertising agency service. Multi-cloud management service is to provide our customers one-stop multi-cloud resource management solutions, conduct comprehensive management of multi-cloud resources and environment, and provide various solutions that can be implemented in the cloud, including platforms for backup and disaster recovery, machine learning, cost optimization and monitoring alarm. Overseas advertising agency service is to assist companies to launch advertisement on large overseas advertising platforms, such as Facebook.

Since 2020, we have reported our revenues and operating profits in two segments: internet business and AI and others. In 2021, as a result of our ongoing business streamlining efforts, we expected to further leverage the synergies between our overseas advertising service and our global multi-cloud management services which both serve customers with overseas operation demands and accordingly the CODM changed the way he reviews the segment performances. Consequently, we aligned our operating segments and our overseas advertising agency services, which assists companies to launch advertisement on overseas advertising platforms, are changed from the Internet business into AI and others. We have retrospectively revised segment information for the comparative periods.

Revenues from our internet business mainly include two parts, online advertising and internet value-added services. We generate advertising revenues by providing mobile advertising services to our customers worldwide, as well as selling advertisements and referring user traffic on our mobile and PC platforms. We generate value-added services revenues principally from fee-based services, mainly including VIP membership, software subscription and game-related services.

Revenues from our AI and other business mainly from E-coupon vending, multi-cloud management platform, overseas advertising agency service and some other AI related business.

On the corporate level, our revenues increased to RMB884.1 million (US$128.2 million) in 2022 due to the revenue increase of our membership services as well as our AI and other business. Our net loss attributable to Cheetah Mobile shareholders was RMB513.5 million (US$74.4 million) in 2022, compared to a net loss attributable to Cheetah Mobile shareholders of RMB351.1 million in 2021.

Historically, we have invested heavily in research and development and selling and marketing to grow our internet business and AI business. Since 2021, we have taken measures to control expenses and improve operational efficiency, such as organization downsizing. Our headcount decreased from 851 as of December 31, 2021 to 713 as of December 31, 2022.

**Impact of COVID-19**

Our results of operations and financial condition have been and may continue to be affected by the spread of COVID-19. Although Chinese economy recovered to some degree in 2022 and China began to modify its COVID-19 control policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022, the extent to which COVID-19 impacts our results of operations will depend on the future developments of the pandemic which are highly uncertain. See also “Item 3. Key Information—D. Risk Factors— Risks Relating to Doing Business in China— A severe or prolonged downturn in the global economy could materially and adversely affect our business and financial condition.”

**Selected Statement of Operations Items**

***Revenues***

We generate revenues from internet business and AI and others. The following table sets forth the principal components of our revenues by amount and as a percentage of our revenues for the periods presented.

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | 2022 | | |
| | RMB | % of revenues | RMB | US$ | % of revenues |
| Internet business | 653,759 | 83.3 | 697,387 | 101,112 | 78.9 |
| AI and others | 130,857 | 16.7 | 186,679 | 27,066 | 21.1 |
| **Revenues** | **784,616** | **100.0** | **884,066** | **128,178** | **100.0** |

***Internet business***

Revenues from internet business accounted for 83.3% and 78.9% of our revenues in 2021 and 2022, respectively. Our portfolio of internet products has attracted a massive user base, which enabled us to provide online marketing services to customers worldwide as well as refer user traffic and sell advertisements on our mobile and PC platforms. We mainly charge fees for our online advertising services on cost per impression basis, which refers to cost based on the number of impressions over a period. We also provide value-added services for our internet product, which mainly includes VIP membership and software subscription. Our VIP membership and software subscription services are mainly sold in short term period, typically, no more than 12 months.

We believe that the most significant factors affecting revenues from internet business include:

- *User base and user engagement in key markets*. We believe a large, loyal and engaged user base in key markets would help us retain existing customers and attract more customers and business partners for our internet business and at the same time gives us more pricing power. It also results in more user impressions or other actions that generate more fees for performance-based marketing. In particular, a large and engaged user base is crucial for the sustainability of our product and related services. We plan to further improve our products and introduce more products to increase users' engagement with our products.
- *Fee arrangements with our significant customers.* A small number of advertising customers have contributed a significant portion of revenues for our online advertising services. In advertising markets, advertising platforms provide bids to APP operators for displaying advertisements on their apps, and the bid prices may fluctuate significantly depending on who are the bidders, the type of the advertising inventories, seasonality, and supply and demand balance. The fee arrangements with these significant customers and the mix of these arrangements can have a significant impact on our revenues, and some of these impact may be beyond our control.
- *Ability to provide targeted advertising.* We believe that data analytics is a key factor affecting our online advertising revenues. Data analytics enable us to map our users' interests and distribute targeted advertising to our users. Our ability to effectively conduct user profiling and provide targeted advertising affects advertising engagement and conversion, which affects our online advertising revenues.
- *Number of paying users*. Our revenues from premium services as well as membership and software subscription services depend on our ability to develop popular function in utility products. The popularity of the apps we operate directly affects the number of paying users we attract, and the revenues generated from such users.

***AI and Others***

Revenue from AI and others accounted for 16.7% and 21.1% of our revenues in 2021 and 2022, respectively. AI and others revenues mainly include revenues from our AI related business, such as E-coupon-selling robots, business of multi-cloud management service and overseas advertising agency service, as well as providing technical consulting services to third parties and related parties.

***Cost of Revenues***

Cost of revenues primarily consist of traffic acquisition costs, bandwidth and cloud costs, personnel costs, sharing costs, channel costs, depreciation of equipment, and cost of products sold.

Traffic acquisition costs represent the amounts paid or payable to third-party advertising publishers who distribute our customers' paid links through their advertisement products.

Bandwidth and cloud costs consist of fees that we pay to telecommunication carriers, bandwidth fees that are directly related to our business operations and technical support, and fees that we pay to cloud service providers such as Amazon, Tencent cloud etc., for the deployment of our apps and cloud service purchased related to our multi-cloud management service. Bandwidth and cloud costs are affected by the amounts of our user traffic worldwide, data analytics and our scale of customers of our multi-cloud management service.

Personnel costs include salaries and benefits including share-based compensation, for our employees involved in the operation and other business and maintenance of our business.

Sharing costs consist primarily of revenue sharing with application publishers.

Channel costs consist commission fees paid to distribution platforms and payment channels.

***Operating Income and Expenses***

Our operating income and expenses consist of (i) research and development expenses, (ii) selling and marketing expenses, (iii) general and administrative expenses, and (iv) other operating income and expenses. The following table sets forth the components of our operating income and expenses for the periods indicated.

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2021 | | 2022 | | |
| | (in thousands, except percentages) | | | | |
| | RMB | % of revenues | RMB | US$ | % of revenues |
| Operating income and expenses | | | | | |
| Research and development | (211,594) | (27.0) | (180,957) | (26,236) | (20.5) |
| Selling and marketing | (370,274) | (47.2) | (476,853) | (69,137) | (53.9) |
| General and administrative | (191,868) | (24.5) | (214,337) | (31,076) | (24.2) |
| Other operating income | 17,205 | 2.2 | 15,051 | 2,182 | 1.7 |
| **Total operating income and expenses** | **(756,531)** | **(96.5)** | **(857,096)** | **(124,267)** | **(96.9)** |

*Research and Development Expenses*. Research and development expenses consist primarily of salaries and benefits, including share-based compensation expenses, for our research and development employees. These expenditures are generally expensed as incurred. Research and development expenses decreased by 14.5% year over year to RMB181.0 million (US$26.2 million) in 2022, which primarily resulted from the improvement of operational efficiency.

*Selling and Marketing Expenses*. Selling and marketing expenses consist primarily of general marketing and promotion expenses and salaries and benefits, including share-based compensation expenses, related to personnel involved in our selling and marketing efforts.

*General and Administrative Expenses*. General and administrative expenses consist primarily of salaries and benefits, including share-based compensation expenses, related to our general and administrative personnel, professional and legal service fees, and other administrative expenses.

*Other Operating Income*. Other operating income consists primarily of government grants, subsidies and financial incentives that we received in connection with our operations not related to research and development projects.

**Taxation**

***Taxation in Different Jurisdictions***

The following summarizes the taxation in jurisdictions in which our company, significant subsidiaries and VIEs are incorporated.

*Cayman Islands and BVI*. Under the current laws of the Cayman Islands and BVI, we are not subject to tax on income or capital gain. Additionally, upon payments of dividends by us to our shareholders, no Cayman Islands and BVI withholding tax will be imposed.

*Hong Kong*. Our subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax rate of 16.5% for the years ended December 31, 2021 and 2022, the first HK$2 million of profits earned by one of our subsidiaries incorporated in Hong Kong is taxed at half the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate, and foreign-derived income is exempted from income tax.

*Singapore*. Our subsidiaries incorporated in Singapore were subject to Singapore corporate income tax rate of 17% for the year ended December 31, 2021 and 2022.

*Japan*. Our subsidiary incorporated in Japan with paid-in capital in excess of Japanese Yen ("JPY") 100 million was subject to national corporate income tax rate of 23.4% and 23.2% since April 1, 2016 and April 1, 2018, respectively. Our subsidiary incorporated in Japan with paid-in capital of no more than JPY100 million was subject to national corporate income tax rate of 15%

on the first JPY8 million of income earned and at 23.2% on any income earned in excess of JPY8 million since April 1, 2018. Local income taxes, which include local inhabitant tax and enterprise tax, are also imposed on corporate income.

*PRC*.

*Enterprise income tax*. Our PRC subsidiaries and VIEs are subject to the statutory rate of 25% in accordance with the EIT Law, with exceptions for certain preferential tax treatments. Under relevant PRC government policies, enterprises qualified as "new software enterprise" are entitled to a two-year exemption and three-year 50% reduction on enterprise income tax commencing from the first profit-making year. Enterprises qualified as "high and new technology enterprise" are entitled to a preferential rate of 15%. According to the Administrative Measures for Recognition of High and New Technology Enterprises, where the relevant department finds in the course of daily management that a recognized "high and new technology enterprise" does not meet the conditions for recognition, it shall apply to the recognition department for verification. If the verification confirms that the enterprise does not meet the conditions for recognition, the recognition department shall disqualify the "high and new technology enterprise" and advise the tax authority to recover the payment of reduced or exempted taxes under tax preferences it has enjoyed from the year when it fails to meet the recognition requirements. Enterprises that qualified as encouraged industrial enterprises located in Zhu Hai Heng Qin New Area ("Heng Qin New Area") are subject to a tax rate of 15%. For the year ended December 31, 2021, and 2022, our PRC subsidiaries qualified as "new software enterprise" were subject to tax holiday or a preferential tax rate of 12.5% and 12.5%, respectively, our PRC subsidiaries and VIEs qualified as "high and new technology enterprise" and located in Heng Qin New Area were subject to tax holiday or a preferential tax rate of 15%, and our remaining PRC subsidiaries, VIEs and the subsidiaries of the VIEs were subject to enterprise income tax at a rate of 25%.

*Withholding tax*. Under the EIT Law and its implementation rules, dividends, interests, rents or royalties payable by a foreign-invested enterprise, such as our PRC subsidiaries, to any of its non-resident enterprise investors, and proceeds from any such non-resident enterprise investor's disposition of assets (after deducting the net value of such assets) shall be subject to 10% EIT, namely withholding tax, unless non-resident enterprise investor's jurisdiction of incorporation has a tax treaty or agreement with China that provides for a reduced withholding tax rate or an exemption from withholding tax. The Cayman Islands, where our company is incorporated, and the British Virgin Islands, where our subsidiary Conew.com Corporation was incorporated, do not have such tax treaties with China. None of our U.S. subsidiaries is an immediate holding company of our PRC subsidiaries. Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the 10% dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise that receives a dividend is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the relevant PRC tax authority. Based on the Circular of the SAT on Relevant Issues concerning the Implementation of Dividend Clauses in Tax Treaties issued on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Issues regarding the "Beneficial Owner" in Tax Treaties, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements, or Circular 60. Circular 60 was repealed simultaneously upon the implementation of Announcement of the State Taxation Administration on Issuing the Measures for the Administration of Non-resident Taxpayers' Enjoyment of Treaty Benefits, or Circular 35, which was promulgated on October 14, 2019 and became effective on January 1, 2020. According to Circular 35, if a non-resident taxpayer determines through self-assessment that he or she is eligible for treaty benefits, he or she may, when filing tax returns, or when a withholding agent files withholding returns, enjoy tax treaty benefits, and collect and retain relevant materials for review in accordance with the provisions and accept the follow-up administration of tax authorities. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. Accordingly, our Hong Kong subsidiaries may not be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries if they do not satisfy the relevant conditions under tax rules and regulations and obtain the approvals as required.

*PRC Value-added tax*. As of the date of this annual report, our PRC subsidiaries and VIEs are subject to VAT at a rate of 3%, 6%, 9% or 13% VAT rate on the services we provide and related surcharges.

***Effect of Different Tax Rates in Different Jurisdictions***

The following table sets forth our income (loss) before income tax and the effect of differing tax rates in different jurisdictions on our income tax expenses in each applicable jurisdiction, for the years ended December 31, 2021 and 2022.

| | | Year Ended December 31, | | |
|---|---|---|---|---|
| | | 2021 | 2022 | |
| | | RMB | RMB | US$ |
| | | | (in thousands) | |
| Cayman Islands and BVI | Income (Loss) before income tax | 17,406 | (171,383) | (24,848) |
| | Income tax expenses (benefits) computed at the PRC statutory tax rate of 25% | 4,352 | (42,846) | (6,212) |
| | Income tax expenses computed at Cayman Islands statutory tax rate of 0% | — | — | — |
| | **Effect of differing tax rates in different jurisdictions** | **(4,352)** | **42,846** | **6,212** |
| USA | Loss before income tax | (1,350) | (74) | (11) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (338) | (19) | (3) |
| | Income tax benefits computed at the U.S. statutory tax rate of 21% | (284) | (16) | (2) |
| | **Effect of differing tax rates in different jurisdictions** | **54** | **3** | **1** |
| Hong Kong | Income (Loss) before income tax | 147,306 | (81,036) | (11,749) |
| | Income tax expenses (benefits) computed at the PRC statutory tax rate of 25% | 36,826 | (20,259) | (2,937) |
| | Income tax expenses (benefits) computed at the Hong Kong statutory tax rate of 16.5% | 24,305 | (13,371) | (1,939) |
| | **Effect of differing tax rates in different jurisdictions** | **(12,521)** | **6,888** | **998** |
| Singapore | Loss before income tax | (3,515) | (6,908) | (1,002) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (879) | (1,727) | (250) |
| | Income tax benefits computed at the Singapore statutory tax rate of 17% | (598) | (1,174) | (170) |
| | **Effect of differing tax rates in different jurisdictions** | **281** | **553** | **80** |
| PRC | Loss before income tax | (490,025) | (261,306) | (37,886) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (122,506) | (65,326) | (9,471) |

| | | Year Ended December 31, | | |
|---|---|---|---|---|
| | | 2021 | 2022 | |
| | | RMB | RMB | US$ |
| | | (in thousands) | | |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (122,506) | (65,326) | (9,471) |
| | **Effect of differing tax rates in different jurisdictions** | — | — | — |
| France | Loss before income tax | (1,751) | (1,303) | (189) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (438) | (326) | (47) |
| | Income tax benefits computed at the French statutory tax rate of 26.5% | (464) | (345) | (50) |
| | **Effect of differing tax rates in different jurisdictions** | **(26)** | **(19)** | **(3)** |
| Taiwan | Loss before income tax | (2,064) | (3,222) | (467) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (516) | (806) | (117) |
| | Income tax benefits computed at the Taiwan statutory tax rate of 20% | (413) | (644) | (93) |
| | **Effect of differing tax rates in different jurisdictions** | **103** | **162** | **24** |
| Others | Loss before income tax | (5,578) | (20,548) | (2,978) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (1,395) | (5,136) | (746) |
| | Income tax benefits computed at the statutory tax rates of such other jurisdictions | (1,698) | (6,289) | (913) |
| | **Effect of differing tax rates in different jurisdictions** | **(303)** | **(1,153)** | **(167)** |
| Total | Loss before income tax | (339,571) | (545,780) | (79,130) |
| | Income tax benefits computed at the PRC statutory tax rate of 25% | (84,894) | (136,445) | (19,783) |
| | Income tax benefits computed at the statutory tax rate of different jurisdictions | (101,658) | (87,165) | (12,638) |
| | **Effect of differing tax rates in different jurisdictions** | **(16,764)** | **49,280** | **7,145** |

The following table sets forth the effect of tax holiday and preferential tax treatments on our income tax expenses in each applicable jurisdiction, for the years ended December 31, 2021 and 2022.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| | | (in thousands) | |
| PRC[(1)] | 44,909 | 2,232 | 324 |
| Others | — | — | — |
| **Total** | **44,909** | **2,232** | **324** |

(1) Certain of our PRC entities are entitled to tax holiday as new software development enterprise or high new technology enterprise. For details, see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—Taxation in Different Jurisdictions—PRC—Enterprise income tax."

**Results of Operations**

The following table sets forth a summary of our consolidated results of operations for the years indicated. The year-to-year comparisons of results of operations should not be relied upon as indicative of our future performance.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| | | (in thousands) | |
| **Selected Consolidated Statements of Comprehensive income (loss):** | | | |
| Revenues | 784,616 | 884,066 | 128,178 |
| Internet business | 653,759 | 697,387 | 101,112 |
| AI and others | 130,857 | 186,679 | 27,066 |
| Cost of revenues[(1)] | (257,656) | (252,561) | (36,618) |
| **Gross profit** | **526,960** | **631,505** | **91,560** |
| **Operating income and expenses** | | | |
| Research and development[(1)] | (211,594) | (180,957) | (26,236) |
| Selling and marketing[(1)] | (370,274) | (476,853) | (69,137) |
| General and administrative[(1)] | (191,868) | (214,337) | (31,076) |
| Other operating income, net | 17,205 | 15,051 | 2,182 |
| **Total operating expenses, net** | **(756,531)** | **(857,096)** | **(124,267)** |
| **Operating loss** | **(229,571)** | **(225,591)** | **(32,707)** |
| **Other income (expenses)** | | | |
| Interest income, net | 25,391 | 35,710 | 5,177 |
| Foreign exchange gains (losses), net | 24,288 | (95,434) | (13,837) |
| Other income | 252,998 | 101,265 | 14,681 |
| Other expense | (412,677) | (361,730) | (52,444) |
| **Loss before income taxes** | **(339,571)** | **(545,780)** | **(79,130)** |
| Income tax (expenses) benefits | (13,633) | 25,089 | 3,638 |
| **Net loss** | **(353,204)** | **(520,691)** | **(75,492)** |
| Less: net loss attributable to noncontrolling interests | (2,078) | (7,216) | (1,046) |
| **Net loss attributable to Cheetah Mobile Inc.** | **(351,126)** | **(513,475)** | **(74,446)** |

(1) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| | | (in thousands) | |
| Cost of revenues | 1,027 | 686 | 99 |
| Research and development | 5,996 | 1,580 | 229 |
| Selling and marketing | 1,339 | 1,899 | 275 |
| General and administrative | (1,212) | 3,698 | 536 |
| **Total** | **7,150** | **7,863** | **1,139** |

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

***Revenues***. Our revenues increased by 12.7% from RMB784.6 million in 2021 to RMB884.1 million (US$128.2 million) in 2022.

*Internet business*. Revenues from internet business increased by 6.7% from RMB653.8 million in 2021 to RMB697.4 million (US$101.1 million) in 2022. The year-over-over increase was primarily due to business growth from our VIP membership services. In 2022, approximately 50.9% of our revenues from internet business were generated from advertising while the rest of its revenues were generated from other sources, such as providing premium services, anti-virus software sales and office software sales.

*AI and others*. Revenues from AI and others increased to RMB186.7 million (US$27.1 million) in 2022 from RMB130.9 million in 2021. This increase was primarily due to business growth from multi-cloud Management service, E-coupon vending robot and overseas advertising agency services.

***Cost of revenues***. Our cost of revenues decreased by 2.0% from RMB257.7 million in 2021 to RMB252.6 million (US$36.6 million) in 2022.Through more efficient operations, such as lowering traffic acquisition costs and channel costs, we managed to reduce cost of revenues while increasing our revenues.

***Gross profit***. As a result of the foregoing, our gross profit increased by 19.8% from RMB527.0 million in 2021 to RMB631.5 million (US$91.6 million) in 2022.

***Gross margin***. Our gross margin increased to 71.4% for the year ended December 31, 2022 from 67.2% for the year ended December 31, 2021.

***Operating expenses***. Our operating expenses increased by 13.3% from RMB756.5 million in 2021 to RMB857.1 million (US$124.3 million) in 2022 mainly due to our increased marketing and promotion expenses on user acquisition.

*Research and development expenses*. Our research and development expenses decreased by 14.5% from RMB211.6 million in 2021 to RMB181.0 million (US$26.2 million) in 2022. This decrease was primarily due to improvement of operational efficiency.

*Selling and marketing expenses*. Our selling and marketing expenses increased by 28.8% year over year to RMB476.9 million (US$69.1 million) in 2022. This increase was primarily due to marketing and promotion expenses related to our user acquisition.

*General and administrative expenses*. Our general and administrative expenses increased by 11.7% year over year to RMB214.3 million (US$31.1 million) in 2022, which was mainly due to some one-time expenses.

*Other operating income/expenses*. Other operating income primarily consisted of government grants, subsidies and financial incentives that we received in connection with our operations not related to research and development projects and impairment of long-lived assets. Other operating income was RMB15.1 million (US$2.2 million) in 2022, as compared with other operating income RMB17.2 million in 2021.

***Operating loss***. As a result of the foregoing, we had an operating loss of RMB225.6 million (US$32.7 million) in 2022, as compared to an operating loss of RMB229.6 million in 2021.

***Operating loss margin***. We had an operating loss margin of 25.5% in 2022, as compared to an operating loss margin of 29.3% in 2021.

***Other income.*** Other income was RMB101.3 million (US$14.7 million) in 2022, which was primarily due to gains from disposal and upward fair value adjustment of certain long-term investments.

***Other expense.*** Other expense was RMB361.7 million (US$52.4 million) in 2022, which was primarily due to impairment of certain long-term investments.

***Income tax expense.*** Our income tax benefits was RMB25.1 million (US$3.6 million) in 2022, as compared to income tax expense of RMB13.6 million in 2021.

***Net loss attributable to Cheetah Mobile shareholders.*** Primarily as a result of the foregoing, our net loss attributable to Cheetah Mobile shareholders was RMB513.5 million (US$74.4 million) in 2022, as compared to a net loss attributable to Cheetah Mobile shareholders of RMB351.1 million in 2021.

**Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the consolidated financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

***Fair value measurements of Non-Marketable long-term investments***

We measure certain long-term investments at fair value on a recurring or non-recurring basis, which mainly includes equity method investment accounted for using fair value option, long-term available-for-sale debt securities and equity securities that accounted for under the measurement alternative. For equity method investment accounted for using fair value option and long-term debt securities, we estimate their fair value on each reporting date. For equity securities accounted for under measurement alternative, we estimated the fair value when there's an observable price changes for identical or similar investments of the same issuer or when qualitative assessment indicates that the investment is impaired. We estimate the investments' fair value in accordance with the principles of ASC 820 and recognize the fair value change or impairment loss in the consolidated statements of comprehensive (loss) income accordingly. These judgements include valuation methods and key valuation assumptions and estimates. Changes in these estimates and assumptions could materially affect the fair value of such investments. See Note 20 of the Notes to the Consolidated Financial Statements for information regarding method and key assumptions used for fair value measurements of such investments.

***Impairment of Long-Lived Assets and Intangible Assets***

We evaluate our long-lived assets or asset group, including intangible assets with indefinite and finite lives, for impairment. Intangible assets with indefinite lives that are not subject to amortization are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the assets might be impaired in accordance with ASC 350-30, Intangibles-Goodwill and Other: General Intangibles Other than Goodwill. Such impairment test compares the fair values of assets with their carrying values with an impairment loss recognized when the carrying values exceed fair values. For long-lived assets and intangible assets with finite lives that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, we evaluate impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value.

***Revenue recognition***

We generate revenues primarily through internet business, AI and others. Pursuant to ASC 606-10-32-2A, we also elected to exclude sales taxes and other similar taxes from the measurement of the transaction price. Therefore, revenues are recognized net of value added taxes ("VAT").

The following table presents our revenues disaggregated by revenue source:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| | | (in thousands) | |
| Revenues: | | | |
| Internet business | | | |
| Online advertising | 354,604 | 355,289 | 51,512 |
| Internet value-added services | 299,155 | 342,098 | 49,600 |
| AI and Others | | | |
| Advertising agency services | 61,588 | 83,111 | 12,050 |
| Multi-cloud Management Services | 41,443 | 77,956 | 11,303 |
| Technical consulting services and others | 17,236 | 20,323 | 2,946 |
| Sale of AI hardware products | 10,590 | 5,289 | 767 |
| **Total consolidated revenues** | **784,616** | **884,066** | **128,178** |

***Internet business***

*Online advertising*

Online advertising revenue is primarily derived from displaying advertisements for our customers on its online platforms including duba.com and other websites, browsers, PC and mobile applications, and to a lesser extent, on third-party advertising publishers' websites or mobile applications. We have three general pricing models for our advertising products: cost over a time period, cost for performance basis and cost per impression basis. For advertising contracts over a time period, we generally recognize revenue ratably over time, because the customer simultaneously receives and consumes the benefits as we perform throughout a fixed

contract term. For contracts that are charged on the cost for performance basis, we charge an agreed-upon fee to its customers determined based on the effectiveness of advertising links, which is typically measured by clicks, transactions, installations, user registrations, and other actions. Revenue is recognized at a point in time when there is an effective click, transaction, installations, user registrations, and other actions. For advertising contracts that charged on cost per impression basis, we recognize the revenue at a point in time when the impressions are delivered based on the mutual agreement formed with customers. For online advertising services arrangement involving third-party advertising publishers' websites or mobile publications, we recognize gross revenue the amount of fees received or receivable from customers as we have control over the advertising services before they are transferred to the customer, and therefore, we are not arranging for the advertising services to be provided by third parties on their internet properties. Revenue for online advertising services involving third-party advertising publishers' websites or mobile publications is recognized at a point in time when all the revenue recognition criteria are met. Payments made to the third-party advertising publishers or content providers are included in cost of revenues.

*Internet value-added services*

We generate value-added services revenue principally from fee-based services, mainly including VIP membership, software subscription, and game-related services.

*VIP membership and software subscription.* We provide non-cancellable VIP membership services and hosted software subscription services to individual and enterprise customers, which can obtain the access to the related services over a fixed period of time at a fixed price as specified in the contract. Our VIP membership services are provided to customers with various privileges, which primarily include access to advertising-free and value-added services such as file and data recovery, malicious pop-up interception, PDF converting etc. We also provide various software such as anti-virus, security protection, immediate communication and others to individual and enterprise customers. The software license and the when-and-if-available updates and related services are accounted for as a single performance obligation as the license, updates and services are inputs to a combined items in the contract. The VIP membership services and software subscription services are primarily sold in short term period, typically, no more than 12 months. Certain services have contracts with no fixed duration. For these indefinite term subscriptions, we estimated the expected contract period based on historical usage pattern and recognizes related revenue over the expected contract period. Upfront payment is generally required and upon the receipt of membership fees and software subscription fees, we recognize the excess of payment received as compared to the recognized revenue as deferred revenue in "Accrued expenses and other liabilities" and revenue is recognized ratably over the membership period or the subscription period as services are rendered.

*Game-related services.* We sell both perpetual and consumable in-game virtual items. Perpetual in-game virtual items represent items that are accessible to the paying users as long as the users continue to play. Consumable virtual items represent items that can be consumed by specific user actions. We recognize revenues from the perpetual in-game virtual items over the estimated average paying users' life, and revenues from the consumable in-game virtual items at a point in time when specific user actions are taken by paying users.

We track the in-game virtual item purchases and log-in history of the paying users to calculate the retention of game users based on a statistical model in order to arrive at the best estimate of the average paying users' life of each game. For newly launched games with a limited period of paying users' data available for the estimate, we consider the estimated average paying users' life of other recently launched games with similar characteristics.

***AI and Others***

*Advertising agency services*

We provide advertising agency services by arranging advertisers to purchase various advertisement products from certain online networks. We receive from the online network performance-based commissions, which are determined based on a pre-specified percentage of the payment by the advertisers for the online network's various advertisement products. We act as an agent to arrange for the advertising services to be provided by third parties on their internet properties and incentives provided to the end customers are typically market-wide promotions that result in lower fee earned by us, and therefore are recorded as a reduction of revenue at the date we record the corresponding revenue transaction. Revenue from advertising agency services is recognized on a net basis at a point in time when the advertisement products are delivered by the online networks. The revenue is estimated by us based on the real-time advertising performance results provided by the online networks and the commission rates pre-determined in contracts signed with relevant online networks. There was no significant difference between our estimates and the subsequent periodic invoices provided by the online network for all the periods presented. Receivables from advertising agency services were included in other receivables from

advertisers in "Prepayments and other current assets" and payable to online networks were included in payable to online advertising platforms as agency in "Accrued expenses and other current liabilities" on the consolidated balance sheets.

*Multi-Cloud Management services*

We provide multi-cloud management services through cloud management platform. The nature of our performance obligation is a single performance obligation to stand ready to provide integrated technical cloud-based solution or sell cloud resources to customers. Revenue is recognized over time when related solutions or resources are provided to customers. We evaluate whether it is appropriate to record the revenue on gross or net basis based on whether we act as a principal or as an agent. This determination is reviewed for each specified service provided to the customer and may involve significant judgment. In certain cases, we conclude that we control the solutions and resources before they are transferred to end customers, as we integrate the cloud resources with its technical expertise to provide ongoing customized cloud-based solutions, are primarily responsible for the fulfillment, and have inventory risk before the specified solutions and resources have been transferred to the customers and revenue is recognized on a gross basis. In other cases, we act as a reseller of cloud resources and during which we act as an agent to arrange for the resources to be provided by third parties and revenue is recognized on a net basis.

*Sale of AI hardware products, technical consulting service and others*

We recognize revenue generally at a point in time for the sale of AI hardware products when the products are delivered to customers. Technical consulting services are recognized over time because the customer simultaneously receives and consumes the benefits as we perform throughout a fixed term. We also sell food products and coupons which can be consumed for food services in the restaurants, such revenue is recognized when the products and services are delivered to customers.

***Other revenue recognition related policies***

For arrangements that include multiple performance obligations, we would evaluate all the performance obligations in the arrangement to determine whether each performance obligation is distinct in the context of contract. Consideration is allocated to each performance obligation based on its standalone selling price. If a promised good or service does not meet the criteria to be considered distinct in the context of contract, it is combined with other promised goods or services until a distinct bundle of goods or services exists.

We provide sales incentives to customers which entitle them to receive reductions in the price. We account for these incentives granted to customers as variable consideration and record them as reduction of revenue. The amount of variable consideration is measured based on the most likely amount of incentives to be provided to customers. We believe that there will not be significant changes to our estimate of variable consideration.

***Allowance for credit losses***

We maintain an allowance for credit losses in accordance with ASC 326 and records the allowance for credit losses as an offset to assets such as accounts receivable, prepayments and other current assets and due from related parties, etc. and the estimated credit losses charged to the allowance is classified as "General and administrative" and "Other expenses" in the consolidated statements of comprehensive income (loss). We assess collectability by reviewing assets on a collective basis where similar characteristics exist, primarily based on similar business line, service or product offerings and on an individual basis when we identify specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, we consider historical collectability based on past due status, the age of the balances, credit quality of our customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect our ability to collect from customers.

***Account receivables, net***

Accounts receivable are recognized and carried at the original invoiced amount less an allowance for credit losses. Bad debts are written off as incurred. We generally do not require collateral from its customers.

***Consolidation of VIEs***

PRC law currently restricts foreign ownership of internet-based and mobile-based businesses and regulates internet access, distribution of online information, online advertising, distribution and operation of online games through strict business licensing requirements and other government regulations. We are a Cayman Islands company and to comply with these foreign ownership restrictions, we operate our website and conduct substantially the majority of our online advertising and the distribution and operation of internet value-added services and internet security services businesses in the PRC through the VIEs.

Beijing Mobile and Beijing Network and other companies, the VIEs or its subsidiaries, hold the requisite ICP Licenses required to operate our internet-based, including mobile-based businesses in China. We have been and are expected to continue to be dependent on the VIEs to operate our business if PRC laws do not allow us to directly operate such business in China. Our company, as well as Beijing Security and Conew Network, our wholly-owned subsidiaries, as the case may be, has entered into a series of contractual arrangements with the VIEs and their respective shareholders. Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between us and the VIEs through the irrevocable shareholder voting proxy agreements, whereby the shareholders of the VIEs effectively assign all of the voting rights underlying their equity interests in the VIEs to our company. Furthermore, pursuant to the exclusive option agreements, which include a substantive kick-out right, our company has the power to control the shareholders of the VIEs, and therefore, the power to govern the activities that most significantly impact the economic performance of the VIEs. In addition, through the contractual arrangements, the company demonstrate their ability and intention to continue to exercise the ability to absorb substantially all of the expected losses and the majority of the profits of the VIEs, and therefore, have the rights to the economic benefits of the VIEs. As a result of these contractual arrangements, we consolidate the VIEs as required by ASC 810-10, Consolidation: Overall.

***Investment in debt securities***

We account for our investments in debt securities in accordance with ASC 320-10, *Investments-Debt Securities: Overall*. We classified the investments in debt securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting methods stipulated by ASC 320-10. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains, or losses are realized.

The debt securities that we have positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. The allowance for credit losses of the held-to-maturity debt securities reflects our estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to "Other expense" in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions.

Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Unrealized holding gains and losses for trading securities are included in earnings.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale debt securities are reported at fair value, with unrealized gains and losses recorded in other comprehensive (loss) income.

***Investment in equity securities***

We account for the investments in common stock or in-substance common stock in entities in which it can exercise significant influence but does not own a majority equity interest or control using the equity method in accordance with ASC 323-10, *Investments-Equity Method and Joint Ventures: Overall* unless we elect to account for the investment using the fair value option in accordance with ASC 825-10, Financial Instruments: Fair Value Option ("ASC 825"). We apply the equity method of accounting that is consistent with ASC 323-10 in limited partnership in which we hold a three percent or greater interest. Where the equity method is used, we initially record our investment at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is accounted for as if the investee were a consolidated subsidiary. We subsequently adjust the carrying amount of the investment to recognize our proportionate share of each equity investee's net income or loss into earnings after the date of investment. We evaluate the equity method investments for impairment under ASC 323-10. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

We have elected the fair value option when we initially recognize an equity method investment as we determined the fair value of this investment better represents the value of the underlying assets. Such election is irrevocable and can be applied to financial assets on an individual basis at initial recognition. Any changes in fair value are recognized in earnings in the consolidated statements of comprehensive income (loss).

Equity investments with readily determinable fair value, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment, we elected to use the measurement alternative to measure those investments at cost, less

any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

For equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired. For those equity investments that we elect to use the measurement alternative, we make a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, we have to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, we have to recognize an impairment loss in earnings equal to the difference between the carrying value and fair value.

***Income Taxes***

We account for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance against operation deferred tax assets exclude operation defer tax liability if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

***Share-based Compensation***

We account for share-based compensation following the provision of ASC 718, or ASC 718, Compensation—Stock Compensation, under which we determine whether an award should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees and non-employees classified as equity awards are recognized in the financial statements based on their grant date fair values.

We have elected to recognize share-based compensation using the accelerated method, for all share-based awards granted with graded vesting based on service conditions and for awards with performance conditions if it is probable that the performance condition will be achieved. We account for forfeitures as they occur, if required vesting conditions are not met and the share-based awards are forfeited, previously recognized compensation expenses relating to those awards are reversed. We, with the assistance of an independent third-party valuation firm determined the fair value of the share-based awards granted to employees and non-employees, if applicable. The binomial tree option pricing model was applied in determining the estimated fair value of the awards.

A change in any of the terms or conditions of share options is accounted for as a modification of share-based awards. We calculate the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested share-based awards, we recognize incremental compensation cost in the period the modification occurred. For unvested share-based award, we recognize, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

**Recent Accounting Pronouncements**

A list of recent accounting pronouncements that are relevant to us is included in Note 2 to our consolidated financial statements, which are included in this annual report.

**B. Liquidity and Capital Resources**

***Cash Flows and Working Capital***

We finance our operations and strategic investments primarily using our cash and cash equivalents, including our operating cash inflows and short-term investments. Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted to withdrawal and use, and highly liquid investments with original stated maturity of three months or less. Short-term investments consist of highly liquid investments with original maturities of greater than three months but less than 12 months and investments that are expected to be realized in cash during the next 12 months. As of December 31, 2022, we had RMB1,672.7 million (US$242.5 million) in cash and cash equivalents, restricted cash and short-term investments.

We believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future

developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or debt securities or borrow from banks.

Under PRC regulations, prior approval from and prior registration with the SAFE is required for Renminbi conversion for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China. Subject to certain rules and procedures, the Renminbi is freely convertible for current account items, including the distribution of dividends, and trade and service-related foreign exchange transactions. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends to our shareholders.

The table below sets forth a breakdown of our cash by currency and location as of December 31, 2021 and 2022:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2022 |
| | (in thousands of RMB) | |
| Cash located outside of the PRC | | |
| *—held by Company and Subsidiaries in US dollars* | 1,210,677 | 990,373 |
| *—held by Company and Subsidiaries in RMB* | 206,901 | 127,678 |
| *—held by Company and Subsidiaries in others* | 72,092 | 49,474 |
| *—held by VIEs in US dollars* | 28 | 2,459 |
| *—held by VIEs in others* | 7 | 567 |
| Cash located in the PRC | | |
| *—held by Company and Subsidiaries in RMB* | 47,454 | 116,802 |
| *—held by Company and Subsidiaries in US dollars* | 9,306 | 9,740 |
| *—held by VIEs in RMB* | 37,453 | 218,697 |
| *—held by VIEs in US dollars* | 8 | 9 |
| **Total cash and cash equivalents** | **1,583,926** | **1,515,799** |

The table below sets forth a breakdown of our short-term investments by location as of December 31, 2020, 2021 and 2022:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2022 |
| | (RMB in thousands) | |
| Short-term investments located outside of the PRC | | |
| *—Time deposits located outside the PRC* | 640 | 69,796 |
| Short-term investments located in the PRC | | |
| *—Wealth management products located in the PRC* | 262,173 | 86,386 |
| **Total short-term investments** | **262,813** | **156,182** |

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| | | (in thousands) | |
| Net cash provided by (used in) by operating activities | 102,811 | (424,249) | (61,512) |
| Net cash provided by investing activities | 220,836 | 189,052 | 27,410 |
| Net cash used in financing activities | (9,640) | (4,866) | (706) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (29,755) | 171,851 | 24,918 |
| Cash, cash equivalents and restricted cash at the beginning of year | 1,300,455 | 1,584,707 | 229,761 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 284,252 | (68,212) | (9,890) |
| Cash, cash equivalents and restricted cash at the end of year | 1,584,707 | 1,516,495 | 219,871 |

***Operating Activities***

Net cash used in operating activities for the year ended December 31, 2022 was RMB424.2 million (US$61.5 million). This amount was primarily attributable to net loss of RMB520.7 million (US$75.5 million), (i) adjusted for gains on disposal of investment

RMB32.5 million (US$4.7 million) ; (ii) adjusted for impairment of assets RMB261.8 million (US$38.0 million), foreign currency exchange losses RMB95.4 million (US$13.8 million), depreciation of property and equipment RMB49.2 million (US$7.1 million); (iii) adjusted for changes in operating assets and liabilities that positively affected operating cash flow, primarily an increase in accrued expenses and other current liabilities RMB236.3 million (US$34.3 million), (iv) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in prepayments and other current assets RMB447.2 million (US$64.8 million) and an increase in accounts receivable RMB103.6 million (US$15.0 million).

Net cash provided by operating activities for the year ended December 31, 2021 was RMB103.0 million. This amount was primarily attributable to net loss of RMB353.2 million, (i) adjusted for gains on disposal of investments of RMB92.1 million, changes in fair value of financial assets of RMB90.6 million and share of income from equity method investments of RMB61.0 million; (ii) adjusted for certain non-cash expenses, primarily impairment of assets RMB395.0 million, depreciation of property and equipment of RMB45.8 million; (iii) adjusted for changes in operating assets and liabilities that positively affected operating cash flow, primarily a decrease in prepayments and other current assets of RMB315.6 million, (iv) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to a decrease in accrued expenses and other current liabilities of RMB201.3 million.

***Investing Activities***

Net cash provided by investing activities was RMB189.1 million (US$27.4 million) for the year ended December 31, 2022, primarily attributable to proceeds from maturity of short-term investments of RMB1,111.5 million (US$161.1 million) and proceeds from disposal of long-term investments of RMB153.5 million (US$22.3 million), partially offset by purchase of short-term investments of RMB1,005.1 million (US$145.7 million) and purchase of long-term investments RMB69.6 million (US$10.1 million) .

Net cash provided by investing activities was RMB220.8 million for the year ended December 31, 2021, primarily attributable to proceeds from maturity of short-term investments of RMB3,726.0 million and proceeds from disposal of long-term investments RMB188.2 million, partially offset by purchase of short-term investments RMB3,630.4 million.

***Financing Activities***

Net cash used in financing activities was RMB4.9 million (US$0.7 million) for the year ended December 31, 2022.

Net cash used in financing activities was RMB9.6 million for the year ended December 31, 2021.

***Material cash requirements***

Our material cash requirements as of December 31, 2022 and any subsequent interim period primarily include our capital expenditures, operating lease obligations, and purchase obligations.

We incurred capital expenditures of RMB46.8 million and RMB6.8 million (US$1.0 million) in 2021 and 2022, respectively. Our capital expenditures were primarily attributable to purchase of computers and servers related to research and development activities and purchase of AI hardware for our E-Coupon vending business. As our AI business expands, we may purchase more AI hardware in the future.

Our operating lease obligations consist of the commitments under the lease agreements for our office premises, which include all future cash outflows under ASC Topic 842, Leases under Note 9 to our audited consolidated financial statements.

Purchase obligations primarily consists of minimum commitment for purchase of cloud services.

We intend to fund our existing and future material cash requirements with our existing cash balance and other financing alternatives. We will continue to make cash commitments, including capital expenditures, to support the growth of our business.

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity for such assets. We do not have any obligation, including a contingent obligation, arising out of a variable interest in any unconsolidated entity that we hold and material to us, where such entity provides financing, liquidity, market risk or credit risk support to us or engages in leasing, hedging or research and development services with us.

The following table sets forth our contractual obligations by specified categories as of December 31, 2022.

| | Payment due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| | (In thousands of RMB) | | | | |
| Operating lease obligations | 44,982 | 14,455 | 24,250 | 6,277 | — |
| Purchase obligations | 29,313 | 29,313 | — | — | — |
| **Total** | **74,295** | **43,768** | **24,250** | **6,277** | **—** |

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2022.

**Holding Company Structure**

Cheetah Mobile Inc. is a holding company. We conduct most of our operations through our subsidiaries and the VIEs incorporated in and outside China. As a result, although other means are available for us to obtain financing at the holding company level, Cheetah Mobile Inc.'s ability to pay dividends to the shareholders and to service any debt it may incur depends on dividends paid by our subsidiaries and service fees paid by the VIEs under the exclusive technology development, support and consultancy agreements. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to us.

Each of our PRC entities is required to make appropriations to certain statutory reserve funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. Specifically, each of our PRC entities is required to allocate at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our PRC entities may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds, enterprise expansion fund and discretionary surplus fund, as the case may be, at the discretion of its board of directors. With the implementation of FIL, rules of activities of foreign- funded enterprises, including but not limited to the dividend distribution, will be governed by the Company Law of the People's Republic of China. According to the Company Law, if the aggregate balance of our statutory common reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph. After we have drawn statutory common reserve, which is 10% of the after-tax profit, from the after-tax profits, it may, upon a resolution made by the shareholders' meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders in proportion to the actual capital contribution actually paid by them, unless otherwise agreed upon by all the shareholders. We may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of our registered capital. See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution" for further details.

Loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits, See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution" for further details. In addition, if we decide to finance our PRC subsidiaries by means of capital contributions, these capital contributions must be approved by the PRC government. Therefore, any failure or delay in receiving such registrations or approvals may limit our ability to fund our PRC subsidiaries using funds we have, hence materially and adversely affecting our liquidity and our ability to fund and expand our business.

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

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

## D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2022 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

## E. Critical Accounting Estimates

For our critical accounting estimates, see "Item 5. Operating and Financial Review and Prospects—Critical Accounting Policies and Estimates."

## Item 6. Directors, Senior Management and Employees

## A. Directors and Senior Management

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

| Directors and Executive Officers | Age | Position/Title |
|---|---|---|
| Sheng Fu | 45 | Chief Executive Officer and Chairman of the Board of Directors |
| Tao Zou | 47 | Director |
| Thomas Jintao Ren | 44 | Chief Financial Officer and Director |
| Ning Zhang | 49 | Independent Director |
| Dr. Yi Ma | 50 | Independent Director |
| Dr. Yun Zhang | 46 | Independent Director |
| Edward Mingyan Sun | 40 | Senior Vice President |

*Sheng Fu* has been our Chairman of the Board since March 2018, and our chief executive officer and director of the Board since November 2010. Mr. Fu has also been a senior vice president of Kingsoft Corporation since March 2011. Since September 2009, Mr. Fu has been the chief executive officer and chairman of Conew Network. Prior to that, Mr. Fu was the vice president of Matrix Partners China from November 2008. Between November 2005 and August 2008, Mr. Fu worked at Qihoo 360 serving various management roles at its 360 department, a division then in charge of developing 360 products. From March 2003 to October 2005, Mr. Fu was the product manager of 3721 Internet Real Name and 3721 Internet Assistant. Mr. Fu received a bachelor's degree in economics from Shandong Institute of Business and Technology in China in 1999.

*Tao Zou* has been our director since December 2016. Mr. Zou was appointed to be our director by Kingsoft Corporation Limited, at which he serves as an executive director and the chief executive officer. Mr. Zou also serves as a director of Seasun Holdings, Chairman of Kingsoft Office (SSE STAR Market: 688111) and a director of Kingsoft Cloud (Stock Code: 03896 and NASDAQ: KC). Mr. Zou joined Kingsoft Corporation in 1998 serving various management roles. Mr. Zou graduated from Nankai University in 1997.

*Thomas Jintao Ren* has been our chief financial officer since January 2020 and has been our director since November 2022. Prior to Cheetah Mobile, Mr. Ren served as the chief financial officer of Renren Inc. (NYSE: RENN) since September 2015. Mr. Ren also served as the chief financial officer of Kaixin Auto Holdings (NASDAQ: KXIN) from September 2015 to August 2019. Kaixin Auto Holdings was a subsidiary of Renren Inc. Prior to rejoining Renren Inc., Mr. Ren was the chief financial officer at Chukong Technologies. From 2005 to 2014, Mr. Ren served as Renren Inc.'s senior finance director. Prior to that, Mr. Ren had worked at KPMG for five years. Mr. Ren holds a bachelor's degree in economics from Renmin University of China. He is a certified public accountant in China and the United States, and a chartered professional accountant in Canada.

*Ning Zhang* currently serves as the founder and chairman of Red Avenue Group. Red Avenue Group researches, produces, and invests in new materials through three business units: Red Avenue New Materials Group, Red Avenue Investment Group, and Red Avenue Foundation.

*Dr. Yi Ma* currently serves as a Professor at the Electrical Engineering and Computer Sciences ("EECS") Department of the University of California at Berkeley. He is also a Chair Professor in the Musketeers Foundation Institute of Data Science (HKU IDS) and Department of Computer Science at the University of Hong Kong. From 2014 to 2017, he was a Professor and the Executive Dean of the School of Information and Science and Technology, Shanghai Tech University, China. From 2009 to early 2014, he was a Principal Researcher and the Research Manager of the Visual Computing group at Microsoft Research Asia. From 2000 to 2011, he was an Associate Professor at the ECE Department of the University of Illinois at Urbana-Champaign. His main research interest is in computer vision and high-dimensional data analysis. He received his Bachelors' degree in Automation and Applied Mathematics from Tsinghua University (Beijing, China) in 1995, Master of Science degree in EECS in 1997, Master of Arts degree in Mathematics in 2000, and PhD degree in EECS in 2000, all from the University of California at Berkeley. He is an IEEE Fellow since 2013 and an ACM Fellow since 2017. He is ranked as the World's Highly Cited Researchers by Clarivate Analytics of Thomson Reuters since 2016 and ranked among the Top 50 of the World's Most Influential Authors in Computer Science by Semantic Scholar, according to the Science Magazine 2016.

*Dr. Yun Zhang* currently serves as an Associate Professor of Accountancy with Tenure at the Department of Accountancy of George Washington University. From 2009 to 2015, he was an Assistant Professor of Accountancy at the Department of Accountancy of George Washington University. From 2003 to 2009, he was an Assistant Professor of Accounting at the Duke University's Fuqua School of Business. His main research interest includes managerial accounting, corporate governance and information disclosure. He received his bachelor's degree from Renmin University of China in 1998, two master's degrees from Yale University in 2002 and a Ph.D. degree from Yale University in 2004. He began serving as our independent director since September 2020.

*Edward Mingyan Sun* joined Cheetah Mobile in 2010 and has been in charge of various mobile products, including CM Launcher, Clean Master, Security Master, Cheetah Browser for both PC and mobile, and Duba Antivirus. Prior to Cheetah Mobile, Edward worked at Qihoo 360 and Trent Micro, serving in various management roles. Edward received his college degree and continued his post-graduate studies at the University of Science and Technology of China.

## B. Compensation

### Compensation of Directors and Officers

For the fiscal year ended December 31, 2022, we paid an aggregate of approximately RMB23.6 million (US$3.4 million) in cash to our executive officers and directors (excluding independent directors), and an aggregate of approximately RMB1.9 million (US$0.3 million) in cash to our independent directors. Our PRC entities are required by law to make contributions equal to certain percentages of each employee's salary for his or her retirement benefit, medical insurance benefits, housing funds, unemployment and other statutory benefits. For the fiscal year ended December 31, 2022, we contributed an aggregate of approximately RMB1.9 million (US$0.3 million) for pension, retirement benefits or other similar benefits for our executive officers and directors.

### Share Incentive Awards

***Share Incentive Plans***

We adopted a share award scheme in May 2011, as amended in September 2013 and November 2016, or the 2011 Plan, a 2013 equity incentive plan in January 2014, or the 2013 Plan, a 2014 restricted shares plan in April 2014, or the 2014 Plan, and a 2023 share incentive plan in April 2023, or the 2023 Plan. The purpose of our share incentive plans is to recruit and retain key employees, directors or consultants of outstanding ability and to motivate them to deliver the best performance for the benefit of our company.

*1. The 2011 Plan*

Under the 2011 Plan, the maximum number of shares in respect of which awards that may be granted is 100,000,000 ordinary shares of our company as at the date of such grant, excluding any shares awarded that have lapsed or have been forfeited. In May 2011, we issued 100,000,000 ordinary shares that were put on trust for the benefit of participating employees in the 2011 Plan and the 2011 plan has terminated upon its expiration in May 2021, and the remaining 1,326,064 forfeited and unvested restricted shares that have not been granted are cancelled.

The following paragraphs summarize the key terms of the as amended 2011 Plan.

***Types of Awards***. The 2011 Plan provides for the award of our ordinary shares subject to certain terms and conditions that our board of directors may determine in its absolute discretion.

***Plan Administration***. Our board or a committee of our board duly authorized for the purpose of the 2011 Plan shall administer the 2011 Plan. The plan administrator will determine in its absolute discretion the employees to receive the awards, the number of awards to be granted to each selected grantee, and the terms and conditions of each award grant. We have set up a trust pursuant to a trust deed to facilitate the administration of the 2011 Plan.

***Award Notice***. Share awards granted under the 2011 Plan are evidenced by an award notice that sets forth the terms and conditions for each grant, which relate to vesting, forfeiture or lapse of unvested awarded shares, and repurchase of vested awarded shares.

***Eligibility***. We may grant awards to any employee of our company, including without limitation an employee who is also a director of our company or subsidiaries.

***Lapse of the Awards***. An award will lapse if (i) the grantee of an award ceases to be an employee of our company or subsidiaries, (ii) the company which employs the selected employee ceases to be a subsidiary of our company, or (iii) there is an ordinary for involuntary wind-up of our company or a resolution is passed for the voluntary wind-up of our company, save for the purposes of an amalgamation, reconstruction or scheme of arrangement.

***Vesting Schedule***. The plan administrator determines the vesting schedule, which is set forth in the award notice.

***Transfer Restrictions***. Each award granted under the 2011 Plan are personal to respective grantees and may not be sold, transferred, assigned, charged, mortgaged, or encumbered with any interests in favor of any other third party.

*2. The 2013 Plan*

Under the 2013 Plan, the maximum number of our ordinary shares that may be issued is 64,497,718 ordinary shares. As of March 31, 2023, 64,064,056 restricted shares (excluding those that have been forfeited) had been granted under the 2013 Plan.

The following is a summary of the key terms of the 2013 Plan.

***Types of Awards***. The 2013 Plan provides for the grant of share options and share appreciation rights, in addition to the grant or sale of other share-based awards, such as our ordinary shares, restricted shares and awards that are valued in whole or in part by reference to or based on the fair market value of our ordinary shares.

***Plan Administration***. Our board, our compensation committee, or a subcommittee thereof duly authorized for the purpose of the Plan will be the plan administrator of our 2013 Plan. The plan administrator has the sole discretion to determine the participants to receive the awards, the number and types of awards to be granted to each participant, and the terms and conditions of each award grant.

***Award Agreement***. Awards under the 2013 Plan are evidenced by an award agreement that sets forth the terms and conditions for each grant.

***Exercise Price***. The exercise price, grant price, or purchase price of any award shall be determined by the plan administrator at its sole discretion.

***Eligibility***. We may grant awards to the employees, director or consultant of our company, Kingsoft Corporation or its affiliates.

***Term of Awards***. The term of options and share appreciation rights awarded under the 2013 Plan shall be determined by the plan administrator, subject to a maximum term of ten years after the date of grant. The term of other share-based awards shall be determined by the plan administrator.

***Lapse of Option Awards***. An option award will lapse if (i) the option has expired, (ii) the participant's relationship or employment with our company and/or affiliates has been terminated with or without cause pursuant to any applicable laws or under the participant's service contract with our company and/or affiliates, (ii) winding-up of our company has been commenced, or (iii) otherwise provided for in the award agreement.

***Vesting Schedule***. The plan administrator determines the vesting schedule, which is set forth in the award agreement.

***Transfer Restrictions***. An award may not be transferred or assigned by the participant in any manner other than by will or by the laws of descent and distribution, unless otherwise determined by the plan administrator.

***Termination***. The 2013 Plan will terminate automatically in January 2024, unless terminated at an earlier date by a resolution of our shareholders.

*3. The 2014 Plan*

We adopted the 2014 Plan in April 2014. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Plan is 122,545,665 Class A ordinary shares. As of March 31, 2023, 45,003,073 restricted shares (excluding those that have been forfeited) had been granted under the 2014 Plan.

The following is a summary of the key terms of the 2014 Plan.

***Types of Awards***. The 2014 Plan permits the awards of restricted shares and restricted share units.

***Plan Administration***. Our board, our compensation committee, or a subcommittee thereof duly authorized for the purpose of the Plan will be the plan administrator of our 2014 Plan. The plan administrator has the sole discretion to determine the participants to receive the awards, the number and types of awards to be granted to each participant, and the terms and conditions of each award grant.

***Award Agreement***. Awards granted under the 2014 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

***Eligibility***. We may grant awards to the employees, directors and consultants of our company.

***Acceleration of Awards upon Change in Control***. If a change in control of our company occurs, the plan administrator may, in its sole discretion, provide for (i) all awards outstanding to terminate at a specific time in the future and give each participant the right to exercise the vested portion of such awards during a specific period of time, or (ii) the purchase of any award for an amount of cash equal to the amount that could have been attained upon the exercise of such award, or (iii) the replacement of such award with other rights or property selected by the plan administrator in its sole discretion, or (iv) payment of award in cash based on the value of ordinary shares on the date of the change-in-control transaction plus reasonable interest.

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

***Transfer Restrictions***. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

***Termination of the 2014 Plan***. Unless terminated earlier, the 2014 Plan will terminate automatically in 2024. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval or home country practice.

The following table summarizes, as of March 31, 2023, the restricted shares that we granted to our current directors and executive officers and to other individuals as a group under our 2011 Plan, 2013 Plan and 2014 Plan, and which remained outstanding.

| | Number of Restricted Shares Outstanding | Purchase Price (US$/Share) | Date of Grant |
|---|---|---|---|
| Edward Mingyan Sun | * | N/A | October 1, 2017 |
| | * | N/A | May 1, 2017 |
| | * | N/A | April 1, 2018 |
| Thomas Jintao Ren | * | N/A | March 22, 2020 |
| Individuals as a group | | — | — |
| Total | | | |

* Less than 1% of our total outstanding Class A and Class B ordinary shares.

All restricted shares granted prior to the completion of our initial public offering under our share incentive plans entitle the holders to our Class B ordinary shares, while all restricted shares granted thereafter entitle the holders to Class A ordinary shares.

*4. The 2023 Plan*

We adopted the 2023 Plan in April 2023. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2023 Plan is 145,000,000 ordinary shares. As of the date of this annual report, there has been no awards granted under the 2023 Plan.

The following is a summary of the key terms of the 2023 Plan.

***Types of Awards***. The 2023 Plan permits the awards of options, restricted shares and restricted share units.

***Plan Administration***. Our board or a committee of our board duly authorized for the purpose of the 2023 Plan will be the plan administrator of our 2023 Plan. The plan administrator has the sole discretion to determine the participants to receive the awards, the number and types of awards to be granted to each participant, and the terms and conditions of each award grant.

***Award Agreement***. Awards granted under the 2023 Plan are evidenced by an award agreement, which shall contain such terms and conditions with respect to an award as the plan administrator shall determine consistent with the Plan.

***Eligibility***. We may grant awards to the employees, consultants non-employee directors of our company as permitted under the applicable laws.

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

***Transfer Restrictions***. Awards may not be transferred or assigned by the participant in any manner other than by will or by the laws of descent and distribution, except as otherwise provided by the plan administrator.

***Termination of the 2023 Plan***. Unless terminated earlier, the 2023 Plan will expire on, and no award may be granted pursuant to the 2023 Plan after, April 11, 2033. The plan administrator has the authority to amend, suspend or terminate the 2023 Plan, subject to shareholder approval or home country practice.

**Employment Agreements**

We have entered into employment agreements with our senior executive officers. We may terminate a senior executive officer's employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of or pleads guilty to a felony or to an act of fraud, misappropriation or embezzlement, any negligence or dishonest acts to the detriment of our company, or any misconduct or failure to perform his/her duties after afforded a reasonable opportunity to cure such failure. We may also terminate a senior executive officer's employment without cause at any time by giving one month's prior written notice, and we shall provide severance payments to the officer as expressly required by the applicable law of the jurisdiction where the officer is based. A senior executive officer may terminate his or her employment at any time by giving one month's prior written notice.

In connection with the employment agreement, each senior executive officer has agreed to hold all proprietary or confidential information of our company and our affiliates or the respective clients, customers or partners, including, without limitation, all software and computer formulae, designs, specifications, drawings, data, manuals and instructions and all customer and supplier lists, sales and financial information, business plans and forecasts, all technical solutions and the trade secrets of our company, in strict confidence perpetually. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.

## C. Board Practices

**Board of Directors**

Our board of directors currently consists of six directors. A director is not required to hold any shares in our company to qualify to serve as a director. A Director who is in any way, whether directly or indirectly, interested in a contract or transaction or proposed contract or transaction with our company is required to declare the nature of his interest at a meeting of our directors. Subject to the rules of NYSE and disqualification by the chairman of the relevant board meeting, a director may vote in respect of any contract or transaction or proposed contract or transaction notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our directors at which any such contract or transaction or proposed contract or transaction is considered. Our directors may exercise all the powers of our company to raise or borrow money, and to mortgage or charge our undertaking, property and assets (present and future) and uncalled capital, and to issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our company or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.

**Committees of the Board of Directors**

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

***Audit Committee***

Our audit committee consists of and is chaired by Yun Zhang. Our board of directors has determined that Yun Zhang meets the "independence" requirements of NYSE and the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Yun Zhang qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of any material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

***Compensation Committee***

Our compensation committee consists of and is chaired by Ning Zhang. Our board of directors has determined that Ning Zhang satisfies the "independence" standards under applicable NYSE corporate governance rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

***Nominating and Corporate Governance Committee***

Our nominating and corporate governance committee consists of Ning Zhang, and Dr. Yi Ma and is chaired by Dr. Yi Ma. Our board of directors has determined that Ning Zhang and Dr. Yi Ma both satisfy the "independence" standards under applicable NYSE corporate governance rules. The committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The committee is responsible for, among other things:

- recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regard to characteristics such as independence, skills, experience, expertise, diversity, and availability of service to us;
- selecting and recommending to the board the directors to serve as members of each standing committee of the board; and
- developing and reviewing periodically the corporate governance principles adopted by the board to ensure appropriateness and compliance with the requirements of the NYSE, and to recommend any desirable changes to the board.

**Duties of Directors**

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors must also exercise the powers that are vested in them for the purpose for a proper purpose, and not for any collateral purpose. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached.

**Terms of Directors and Executive Officers**

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by ordinary resolution of our shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; (2) dies or is found to be or becomes of unsound mind; or (3) without special leave of absence from the board of directors, is absent from meetings of the board for three consecutive meetings and the board resolves that his office be vacated.

## D. Employees

We had 1,044, 851 and 713 employees as of December 31, 2020, 2021 and 2022, respectively. The following table sets forth the number of our employees, categorized by function, as of December 31, 2022:

| Function | Number of Employees |
|---|---|
| Operations | 70 |
| Research and development | 319 |
| Sales and marketing | 166 |
| General and administrative | 158 |
| Total | 713 |

## E. Share Ownership

For information regarding the share ownership of our directors and officers, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders." For information as to share awards granted to our directors, executive officers and other employees, see "Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Awards—Share Incentive Plans."

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

Not applicable.

# Item 7. Major Shareholders and Related Party Transactions

## A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares as of March 31, 2023 by:

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

Percentage of beneficial ownership is based on 1,450,620,585 total issued and outstanding ordinary shares as of March 31, 2023, representing the sum of 480,604,900 Class A ordinary shares and 970,015,685 Class B ordinary shares of our company.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting of securities, or to dispose or direct the disposition of securities or has the right to acquire such powers within 60 days. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security, in both the numerator and the denominator. These shares, however, are not included in the computation of the percentage ownership of any other person.

| | Shares Beneficially Owned | | Ordinary Shares Beneficially Owned | Voting Power |
|---|---|---|---|---|
| | Class A Ordinary Shares | Class B Ordinary Shares | %(1) | %(2) |
| **Directors and Executive Officers**:** | | | | |
| Sheng Fu[3] | 31,012,650 | 68,599,088 | 6.9 | 46.3 |
| Tao Zou[4] | — | — | — | — |
| Thomas Jintao Ren | * | — | * | — |
| Ning Zhang[5] | * | — | * | — |
| Dr. Yi Ma[6] | * | — | * | — |
| Dr. Yun Zhang[7] | * | — | * | — |
| Edward Mingyan Sun | * | * | * | * |
| All directors and executive officers as a group | 36,100,520 | 69,399,088 | 7.3 | 46.4 |
| **Principal Shareholders:** | | | | |
| Kingsoft Corporation Limited[8] | 11,800,547 | 662,806,049 | 46.5 | 26.0 |
| Tencent Holdings Limited[9] | 15,031,120 | 220,481,928 | 16.2 | 21.8 |
| Sheng Global Limited[10] | 29,996,440 | 65,439,278 | 6.6 | 6.7 |

Notes

* Less than 1% of our total outstanding Class A and Class B ordinary shares.

** Unless otherwise indicated in the notes below, the business address for our directors and executive officers is Building No. 11Wandong Science and Technology Cultural Innovation Park No.7 Sanjianfangnanli, Chaoyang District, Beijing 100024, People's Republic of China.

(1) Percentage ownership is calculated by dividing the number of Class A and Class B ordinary shares beneficially owned by a given person or group by the sum of (i) 1,450,620,585 ordinary shares and (ii) the number of Class A and Class B ordinary shares that such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days after March 31, 2023.

(2) Percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by a given person or group with respect to the sum of all outstanding shares of our Class A and Class B ordinary shares. The holders of our Class B ordinary shares are entitled to ten votes per share, and holders of our Class A ordinary shares are entitled to one vote per share.

(3) Represents (i) 25,996,440 Class A ordinary shares represented by restricted ADSs and 58,139,278 Class B ordinary shares held by Sheng Global Limited, a British Virgin Islands company wholly owned by Mr. Fu, (ii) 4,000,000 Class A ordinary shares (represented by restricted ADSs) and 7,300,000 Class B ordinary shares beneficially owned by Sheng Global Limited through FaX Vision Corporation, a British Virgin Islands company controlled by Sheng Global Limited, (iii) 585,800 Class B ordinary shares that have vested to Mr. Fu under our 2011 Plan, and (iv) 1,016,210 Class A ordinary shares and 2,574,010 Class B ordinary shares that have vested to Mr. Fu under our 2013 Plan. Kingsoft Corporation have delegated approximately 39.2% voting power of our company held by Kingsoft Corporation to Mr. Sheng Fu, effective October 1, 2017. For further details, see "Item 4. Information on the Company—A. History and Development of the Company".

(4) The business address of Mr. Zou is c/o Kingsoft Corporation Limited, Building D, Xiaomi Campus, No.33 Xierqi Middle Road, Haidian District, Beijing, People's Republic of China.

(5) The business address of Ning Zhang is 25th Floor, Shanghai Tower, No. 501, Yincheng Middle Road, Pudong New Area, Shanghai, PRC.

(6) The business address of Dr. Ma is ECS Department, 333A Cory Hall#1770 University of California, Berkeley, CA 94720-1770, USA.

(7) The business address of Dr. Zhang is 6402 Middleburg Ln, Bethesda, MD 20817, USA.

(8) Represents (i) 5,040,877 Class A ordinary shares, (ii) 6,759,670 Class A ordinary shares represented by ADSs, and (iii) 662,806,049 Class B ordinary shares held by Kingsoft Corporation. Kingsoft Corporation is a Cayman Islands company listed on the Hong Kong Stock Exchange (Stock Code: 3888). Kingsoft Corporation have delegated approximately 39.2% voting power of our company held by Kingsoft Corporation to Mr. Sheng Fu, effective October 1, 2017. For further details, see "Item

4. Information on the Company—A. History and Development of the Company." Kingsoft Corporation's business address is Building D, Xiaomi Campus, No.33 Xierqi Middle Road, Haidian District, Beijing, People's Republic of China.

(9) Represents (i) 745,410 Class A ordinary shares and 14,285,710 Class A ordinary shares represented by ADSs held by THL E Limited, a British Virgin Islands company wholly owned by Tencent Holdings Limited, and (ii) 220,481,928 Class B ordinary shares held by TCH Copper Limited, a British Virgin Islands company wholly owned by Tencent Holdings Limited, as reported on the Schedule 13D jointly filed by TCH Copper Limited, Tencent Holdings Limited and THL E Limited on May 19, 2014. Tencent Holdings Limited is a Cayman Islands company listed on the Hong Kong Stock Exchange (Stock Code: 700). The business address of Tencent Holdings Limited is 29/F, Three Pacific Place, No. 1 Queen's Road East, Wan Chai, Hong Kong.

(10) Represents (i) 25,996,440 Class A ordinary shares represented by restricted ADSs and 58,139,278 Class B ordinary shares held by Sheng Global Limited and (ii) 4,000,000 Class A ordinary shares and 7,300,000 Class B ordinary shares held by FaX Vision Corporation, a British Virgin Islands company controlled by Sheng Global Limited. The registered address of Sheng Global Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

As of March 31, 2023, to our knowledge, on the same basis of calculation as above, 450,319,310 Class A ordinary shares represented by ADSs, or approximately 31.04% of our total outstanding ordinary shares were held by one record shareholder in the United States, namely The Bank of New York Mellon, the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Apart from the delegation of voting rights pertaining up to 399,445,025 Class B ordinary shares of our company by Kingsoft Corporation to Mr. Fu, we are not aware of any arrangement in effect that will, at a subsequent date, result in a change of control of our company. None of our major shareholders have different voting rights apart from any Class B ordinary shares that they may hold in our company.

## B. Related Party Transactions

### Contractual Arrangements with VIEs

Due to certain restrictions under PRC law on foreign ownership and investment in value-added telecommunications services in China, we conduct our operations in China principally through contractual arrangements with the VIEs in China and their respective shareholders. For a description of these contractual arrangements, see "Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with the VIEs."

### Transactions and Agreements with Kingsoft Corporation

Kingsoft Corporation is one of our principal shareholders, with beneficial ownership and voting power of 46.5% and 26%, respectively, of our outstanding Class A and Class B ordinary shares on an as-converted basis as of March 31, 2023.

Our company has certain common directors and officers with Kingsoft Corporation. As of the date of this annual report, Mr. Tao Zou, one of our directors, is also the chief executive officer and director of Kingsoft Corporation.

Kingsoft Corporation is a company with shares listed on the Hong Kong Stock Exchange, and is accordingly subject to the requirements of the Hong Kong Listing Rules. Before October 1, 2017, under the Hong Kong Listing Rules, we were a "connected person" of Kingsoft Corporation.

Accordingly, transactions between us, our subsidiaries and the VIEs, on the one hand, and Kingsoft Corporation or any of its subsidiaries (excluding us and our subsidiaries and VIEs), on the other hand, were "connected transactions." Under the Hong Kong Listing Rules, all connected transactions must be carried out on normal commercial terms, and if the value of a connected transaction exceeds the applicable thresholds, it was subject to the approval of the independent shareholders of Kingsoft Corporation.

***Services received from Kingsoft Group***

Historically, we have entered into various transactions including promotion services, licensing services, cloud services etc. From time to time with Kingsoft Corporation, its subsidiaries and their respective associates, or collectively the Kingsoft Group. We entered into a cooperation framework agreement with Kingsoft Corporation on December 27, 2013 for an initial term until December 31, 2016. Upon expiration of the initial term, the agreement was automatically renewed for three years pursuant to its terms. This agreement governs the following transactions between our company and Kingsoft Corporation:

- *Promotion services*. We and Kingsoft Corporation mutually provided promotion services through their own products and websites for the sale of the other party's products, including but not limited to pre-installation, bundle promotion, joint operation and publishing online advertisement;
- *Licensing services*. Kingsoft Corporation granted licenses to use, among others, certain technologies, trademarks and software products. Such licenses automatically terminated upon October 1, 2017. We and Kingsoft Corporation entered into a new Trademark Licensing Contract in 2018, under which we are licensed with certain selected trademarks of Kingsoft Corporation and its relevant subsidiaries;
- *Miscellaneous services*. Kingsoft Corporation provided miscellaneous services to our company, including but not limited to leasing services, administration assistance services and technology support services.

We and entities of Kingsoft Group may enter into individual contracts from time to time when necessary according to the principles and scope provided for under the framework agreement. Pursuant to the framework agreement, the transactions between us and Kingsoft Group will be priced based on: (i) the prevailing fair market pricing rules adopted in the same industry; (ii) a price calculated based on costs plus reasonable profit margin; or (iii) a price with reference to the price or reasonable profit margin of an independent third party.

On February 16, 2017, Kingsoft Japan entered into an exclusive licensing agreement with a subsidiary of Kingsoft Corporation, pursuant to which Kingsoft Group granted Kingsoft Japan the exclusive right to use certain office software within Japan and to sub-license such software to original equipment manufacturers in Japan solely for their self-use and sale of products and services.

We also purchase cloud services from Kingsoft Group. On July 1, 2022, we entered into a cloud service agreement with a subsidiary of Kingsoft Corporation, pursuant to which, Kingsoft Group provide us with cloud and relevant technical support services for an initial term until August 1, 2023, and upon expiration of the initial term the agreement will be automatically renewed for one year pursuant to its terms.

For the years ended December 31, 2020, 2021 and 2022, we recognized aggregate fees of RMB23.9 million, RMB19.1 million and RMB15.2 million (US$2.2 million), respectively, to Kingsoft Corporation and its subsidiaries for the services they provided to us.

***Transactions with Tencent Group***

We entered into a strategic cooperation agreement dated December 27, 2013 with Shenzhen Tencent Computer Systems Company Limited, or Tencent Shenzhen, to promote various types of products of Tencent Holdings Limited, its subsidiaries and their respective associates, or collectively the Tencent Group, through various forms of promotion services on our mobile and PC applications and platforms. Tencent Shenzhen is a subsidiary of Tencent Holdings Limited, one of our major beneficial shareholders. The price of services provided between us and Tencent Shenzhen will be based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. The term of the cooperation agreement was from January 1, 2014 to December 31, 2015. On December 30, 2015, we entered into a new strategic cooperation agreement with Tencent Shenzhen, pursuant to which we and the Tencent Group will continue to provide promotion services to each other. We and Tencent Group may enter into individual agreements from time to time accordingly, and except of promotion services, we also purchase cloud services from Tencent Group. For the years ended December 31, 2020, 2021 and 2022, we recognized total revenues of RMB73.5 million, RMB40.3 million and RMB12.5 million (US$1.8 million), respectively, from the Tencent Group, and recognized aggregate fees of RMB51.1 million, RMB32.6 million and RMB20.5 million (US$3.0 million), respectively, to the Tencent Group.

***Transactions with Beijing OrionStar***

In 2017, we completed capital injection into Beijing OrionStar, an artificial intelligence company incorporated in China and controlled by Mr. Sheng Fu. As a result, we, through Beijing Security, hold approximately 30% of then equity interest in Beijing OrionStar and have a two-year warrant to subscribe to additional equity interests amounted to RMB403.4 million at the same valuation of our capital injection. In 2018, we acquired additional preferred share of Beijing OrionStar, through the exercise of part of

the two-year warrant at a cash consideration of RMB203.2 million. Subsequent to the transaction, we owned 41.5% equity interest not qualified as in-substance common stock of Beijing OrionStar. In 2019, we acquired additional preferred share of Beijing OrionStar by virtue of the exercise of all our remaining warrants with a cash consideration of approximately RMB262.1 million during Beijing OrionStar's series B corporate financing transactions. Subsequent to the transaction, our equity interests of OrionStar decreased to 38.73% on a fully diluted basis. In 2022, Beijing OrionStar completed a new round of financing, and subsequent to the financing, our equity interest in Beijing OrionStar was diluted to 37.74%.

From 2018, we entered into distribution and several AI robots purchase agreements with Beijing OrionStar. For the years ended December 31, 2020, 2021 and 2022, we purchased products from OrionStar of RMB87.1 million, RMB40.3 million and RMB1.1 million (US$0.2 million), respectively.

From December 2018, we entered into several commissioned development and service agreements, with Beijing OrionStar, pursuant to which Beijing OrionStar agrees to provide technical and promotion service to us. For the years ended December 31, 2020, 2021 and 2022, we recognized total cost of RMB10.8 million, RMB3.8 million and RMB0.3 million (US$0.1 million), respectively.

From 2018, we entered into several service agreements with Beijing OrionStar, pursuant to which we provide technical and multi-cloud management services to Beijing OrionStar. For the years ended December 31, 2020, 2021 and 2022, we recognized total revenue of RMB4.2 million, RMB3.9 million and RMB2.6 million (US$0.4 million), respectively.

In 2021, we provided a convertible loan of RMB100 million to Beijing OrionStar. The conversion features were considered as embedded derivatives that do not meet the criteria to be bifurcated and were accounted for together with the loan receivable.

***Transactions with Live.me***

On September 30, 2019, Live.me amended its share incentive plan to (i) increase the number of shares to be issued under the current plan and (ii) issue shares under the plan into a trust for the benefit of current and future recipients of Live.me share incentive awards. Subsequent to the amendment, we own 49.6% equity interest of Live.me and deconsolidated Live.me as we are no longer a majority shareholder of Live.me. From 2019, we entered into several service agreements with Live.me, pursuant to which we provide technical, multi-cloud management and other services to Live.me. For the years ended December 31, 2020, 2021 and 2022, we recognized total revenue of RMB27.4 million, RMB11.7 million and RMB33.3 million (US$4.8 million), respectively. In 2020, we disposed an internet related business to Live.me with total consideration amounted to RMB11.1 million.

***Transactions with Pixiu. Inc***

From 2017, we entered into several service agreements with Pixiu. Inc, pursuant to which we provide technical, multi-cloud management and other services to Pixiu. Inc. For the years ended December 31, 2020, 2021 and 2022, we recognized total revenue of RMB2.0 million and RMB9.6 million and RMB0.4 million (US$0.1 million), respectively.

**Registration Rights Agreement**

Pursuant to the registration rights agreement dated April 25, 2014 with Kingsoft Corporation, Xiaomi Ventures Limited and Baidu Holdings Limited, we agreed to grant each of the parties Form F-3 registration rights and the piggyback registration rights. In addition, we agreed to pay expenses relating to their exercise of Form F-3 registration rights and piggyback registration rights, except for underwriting discounts and commissions relating to the sale of securities, unless, subject to a few exceptions, a registration request is subsequently withdrawn at the request of a majority-in-interest of the holders requesting such registration.

**Employment Agreements**

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

**Share Incentive Plans**

"Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Awards—Share Incentive Plans."

**Other Transactions with Certain Directors and Affiliates**

See "Item 6. Directors, Senior Management and Employees—B. Compensation—Compensation of Directors and Officers."

**C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

We have appended consolidated financial statements filed as part of this annual report.

**Legal Proceedings**

We are subject to legal proceedings and claims in our ordinary course of business from time to time.

We and certain of our current and former officers were named as defendants in two putative securities class actions filed on June 25, 2020 and July 31, 2020, respectively, in the U.S. District Court for the Central District of California. On August 24, 2020, the Court consolidated the two cases under the caption *In re: Cheetah Mobile, Inc. Securities Litigation* (Case No. 2:20-cv-05696). On March 15, 2021, the plaintiffs filed an amended complaint, in which they sought to represent a class of persons who allegedly suffered damages as a result of their trading in our ADRs between April 26, 2017 and March 24, 2020. The action alleged that we made false or misleading statements regarding our business and operations in violation of Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On March 30, 2022, the Court granted the Company's motion to dismiss, but gave the plaintiffs leave to amend. On May 6, 2022, the parties reached a stipulation, pursuant to which the plaintiffs voluntarily dismissed the claims asserted in the action, and agreed that they would not amend the complaint or appeal the Court's order. The case is now closed. For risks and uncertainties relating to any lawsuits against us, please see "Item 3. Key Information—D. Risk Factors—Risks Relating to the ADSs —We have incurred increased costs as a result of being a public company, and the costs may continue to increase in the future." For further information on certain legal proceedings and arbitration that we are currently involved in, see "Note 16. Commitment and Contingencies—Litigation and investigation" to our consolidated financial statements for the years ended December 31, 2020, 2021 and 2022 included in this annual report.

The Staff of the Division of Enforcement of the SEC conducted an investigation relating to our disclosures for fiscal year 2015 regarding our relationship with one of our advertising business partners. The SEC investigation also related to Rule 10b5-1 trading plans entered into by certain of our current and former officers and directors and sales of our ADS under those plans in 2015 and 2016. On September 21, 2022, our Chairman of the Board and Chief Executive Officer, Mr. Sheng Fu, reached a resolution with the SEC. To our knowledge, pursuant to the terms of the settlement, Mr. Fu has consented to the entry of a cease and desist order with the SEC on a "neither admit nor deny" basis that would require him to refrain from violating (i) Section 17(a)(2) and (3) of the Securities Act of 1933, and (ii) Sections 10(b) and 13(a) of the Securities Exchange Act of 1934 and Rules 10b-5, 12b-20, and 13a-1 thereunder. The terms of the settlement between Mr. Fu and the SEC also include payment of a civil money penalty in the amount of $556,580 and certain compliance undertakings. We were not a party to the settlement. The SEC informed us that it had concluded its investigation with respect to us and did not intend to recommend an enforcement action.

In September 2011, Mr. Sheng Fu, our chief executive officer, was named as a defendant in a lawsuit filed by Qihoo in the High Court of the Hong Kong Special Administrative Region. The complaint was subsequently amended in May 2012, July 2012 and January 2014. The amended complaint alleges that Mr. Fu has breached his contractual obligations of confidentiality, non-competition, non-solicitation and non-disparagement under the agreements Mr. Fu had entered into with a subsidiary of Qihoo prior to his resignation from the subsidiary in August 2008. The complaint asserts that Mr. Fu was a product manager of Qihoo and was responsible for, and participated in, product design and research of certain antivirus products, including 360 Anti-virus and 360 Safe Guard and had access to the related confidential information, trade secret, technology and know-how.

In connection with the above claims, the complaint specifically alleges that Mr. Fu: (i) used confidential information of Qihoo to develop, by himself or through Beijing Conew and Conew Network, an anti-virus product released around May 2010 that was substantially similar to Qihoo's 360 Anti-virus and 360 Safe Guard and infringed upon the confidential information, trade secrets and other rights of Qihoo; (ii) engaged in or dealt with businesses and products that directly competed with the businesses and/or products of Qihoo within the 18-month restricted period; (iii) employed employees of Qihoo within the 18-month restricted period, including Mr. Ming Xu, our former president, who was the then director of technology of 360 Safe Guard, a division of Qihoo; and (iv) made certain negative statements publicly about Qihoo.

Qihoo is seeking a court declaration that Qihoo's repurchase of its shares previously granted to Mr. Fu under Qihoo's share incentive plan at a nominal value was valid, a court order that Mr. Fu cease to use any confidential information or know-how of Qihoo, damages for disparagement, and a court order that Mr. Fu account to Qihoo for any profits that he earned as a result of the alleged breach.

Mr. Fu joined us in October 2010 when we acquired Conew.com Corporation, for which Mr. Fu served as the chief executive officer prior to the acquisition. Our product offerings do not include, and are not derived from, the anti-virus products referenced in the complaint.

**Dividend Policy**

We declared and paid cash dividends to our shareholders of approximately US$72 million and US$200 million in 2019 and 2020, respectively, which was funded by cash on our balance sheet. We currently have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely on a significant amount of dividends from our subsidiaries for our cash requirements, including any payment of dividends to our shareholders. With respect to our PRC subsidiaries, PRC regulations may restrict their abilities to pay dividends to us. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends paid by our subsidiaries, including PRC subsidiaries, to fund any cash and financing requirements we may have. Any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to holders of the ADSs and our ordinary shares." And "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution."

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or the company's share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares." Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

**B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

**Item 9. The Offer and Listing**

**A. Offering and Listing Details**

Our ADSs, each currently representing fifty of our Class A ordinary shares, have been listed on the NYSE since May 8, 2014. Our ADSs trade under the symbol "CMCM."

Effective September 2, 2022, we effected a change of the ratio of the ADS to our Class A ordinary shares from one ADS representing ten Class A ordinary share to one ADS representing fifty Class A ordinary shares. Currently, each ADS represents fifty Class A ordinary shares. The change in the ratio of the ADS to our Class A ordinary shares had no impact on our underlying Class A ordinary shares, and no Class A ordinary shares were issued or cancelled in connection with the change in the ratio of the ADS to our Class A ordinary shares.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

Our ADSs have been listed on the NYSE since May 8, 2014 under the symbol "CMCM."

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**Item 10. Additional Information**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

We incorporate by reference into this annual report the description of our fourth amended and restated memorandum and articles of association contained in our F-1 registration statement (File No. 333-194996), as amended, initially filed with the SEC on April 2, 2014. The fourth amended and restated memorandum and articles of association were adopted by our shareholders by a special resolution passed on April 2, 2014, and became effective immediately prior to the completion of our initial public offering of the ADSs representing our Class A ordinary shares.

**C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report.

**D. Exchange Controls**

See "Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution."

**E. Taxation**

**Cayman Islands and BVI Taxation**

The Cayman Islands and the BVI currently levy no taxes on individuals or corporations who are not based in the Cayman Islands or the BVI respectively based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands and the BVI applicable to our company or its members.

**People's Republic of China Taxation**

Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was amended on and being effective from December 29, 2018, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income.

On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, on July 27, 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or

SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities procedures. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise by virtue of having its "de facto management body" in China only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in the PRC; and (d) more than half of the enterprise's directors or senior management with voting rights habitually reside in the PRC. Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, according to SAT Circular 82, which stipulates the identification of de facto management body shall be carried out by following the principle of substance over forms, the determination criteria set forth therein may reflect the SAT's general position on how the term "de facto management body" could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not believe Cheetah Mobile Inc. meets all of the criteria described above. We believe that none of Cheetah Mobile Inc. and its subsidiaries outside of China is a PRC tax resident enterprise, because none of them is controlled by a PRC enterprise or PRC enterprise group, and because their records (including the resolutions of its board of directors and the resolutions of shareholders) are maintained outside the PRC. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" when applied to our offshore entities, we may be considered as a resident enterprise and may therefore be subject to PRC enterprise income tax at 25% on our global income. In addition, if the PRC tax authorities determine that our company is a PRC resident enterprise for PRC enterprise income tax purposes, dividends paid by us to non-PRC holders may be subject to PRC withholding tax, and gains realized on the sale or other disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in the ADSs.

If we are considered a "non-resident enterprise" by the PRC tax authorities, the dividends paid to us by our PRC subsidiaries will be subject to a 10% withholding tax. The EIT Law also imposes a withholding income tax of 10% on dividends distributed by an foreign invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where our company is incorporated, and the British Virgin Islands, where our subsidiary Conew.com Corporation was incorporated, do not have such tax treaties with China. None of our U.S. subsidiaries is an immediate holding company of our PRC subsidiaries. Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise that receives a dividend is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%.

Accordingly, our Hong Kong subsidiaries may be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries if they satisfy the relevant conditions under tax rules and regulations, and obtain the approvals as required. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market), PRC tax reporting and payment obligations may be triggered. On February 6, 2015, SAT issued a new guidance (Bulletin [2015] No. 7), or SAT Bulletin 7, on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise. SAT Bulletin 7 is the latest regulatory instrument on indirect transfers, extending to not only the indirect transfer of equity interests in PRC resident enterprises but also to assets attributed to an establishment in China and immovable property in China or, collectively, Chinese Taxable Assets. Further, on October 17, 2017, SAT issued the Matters Regarding Withholding Corporate Income Tax at Source for Non-Tax Resident Enterprises (Bulletin [2017] No. 37), or SAT Bulletin 37, abolish SAT Circular 698 and specify the withhold liability of the transferees. According to SAT Bulletin 7 and SAT Bulletin 37, when a non-resident enterprise engages in an indirect transfer of Chinese Taxable Assets, or Indirect Transfer, through an arrangement that does not have a bona fide commercial purpose in order to avoid paying enterprise income tax, the transaction should be re-characterized as a direct transfer of the Chinese assets and becomes taxable in China under the EIT Law, and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%, and the party who is obligated to make the transfer payments has the withholding

obligation. SAT Bulletin 7 and 37 have replaced SAT Circular 698 in its entirety. They provide more comprehensive guidelines on a number of issues. Among other things, SAT Bulletin 7 substantially changes the reporting requirements in SAT Circular 698, provides more detailed guidance on how to determine a bona fide commercial purpose, and also provides for a safe harbor for certain situations, including purchase and sale of shares in an offshore listed enterprise on a public market by a non-resident enterprise, which may not be subject to the PRC enterprise income tax. In addition, SAT Circular 698 now has been abolished by Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source issued by the PRC State Administration of Taxation on October 17, 2017, with retroactive effect from December 1, 2017, or SAT Circular 37.

**United States Federal Income Taxation**

The following discussion is a summary of United States federal income tax considerations relating to the ownership, and disposition of the ADSs or Class A ordinary shares by a U.S. holder (as defined below) that holds the ADSs or Class A ordinary shares as "capital assets" (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the "Code"). This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be important to particular holders in light of their individual circumstances, including holders subject to special tax rules (for example, banks or other financial institutions, insurance companies, broker-dealers, pension plans, cooperatives, traders in securities that have elected the mark-to-market method of accounting for their securities, partnerships and their partners, regulated investment companies, real estate investment trusts, and tax-exempt organizations (including private foundations)), holders who are not U.S. holders, holders who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), holders who acquired their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation, holders that hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or holders that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, except to the extent described below, this discussion does not discuss any alternative minimum tax, state, or local tax, non-United States tax considerations, any non-income tax (such as the United States federal gift and estate tax) considerations, or the Medicare tax considerations. Each U.S. holder is urged to consult its tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations with respect to our ownership and disposition of the ADSs or Class A ordinary shares.

***General***

For purposes of this discussion, a "U.S. holder" is a beneficial owner of the ADSs or Class A ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of the ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the ADSs or Class A ordinary shares and partners in such partnerships are urged to consult their tax advisors as to the particular United States federal income tax consequences with respect to the ownership and disposition of the ADSs or Class A ordinary shares.

For United States federal income tax purposes, it is generally expected that a U.S. holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs are not expected to be subject to United States federal income tax. The remainder of this discussion assumes that a holder of ADSs will be treated in this manner.

***Passive Foreign Investment Company Considerations***

A non-United States corporation, such as our company, will be a "passive foreign investment company," or "PFIC," for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company's unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of

passive assets. We will be treated as owning a proportionate share of the assets held and earning a proportionate share of the income received, by any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is unclear, we treat the VIEs as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on the market price of our ADSs and the composition of assets (in particular the substantial amount of cash and investments), we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2022, and we will likely be classified as a PFIC for our current taxable year unless the market price of our ADSs increases and /or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income.

If we are a PFIC for any year during which a U.S. holder holds the ADSs or Class A ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds the ADSs or Class A ordinary shares even if we cease to meet the threshold requirements for PFIC status, unless a U.S. holder makes a taxable "deemed sale" election that may allow the U.S. holder to eliminate the continuing PFIC status under certain circumstances. The United States federal income tax rules that apply if we are a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under "Passive Foreign Investment Company Rules."

***Dividends***

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any tax withheld) paid on the ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. holder as dividend income on the day actually or constructively received by the U.S. holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be reported as a "dividend" for United States federal income tax purposes. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a "qualified foreign corporation" at a reduced United States federal income tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation(a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2022, and we will likely be classified as a PFIC for our current taxable year. U.S. holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to the ADSs or Class A ordinary shares in their particular circumstances.

Dividends received on the ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations.

Dividends will generally be treated as income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC "resident enterprise" under the PRC Enterprise Income Tax Law, a U.S. holder may be subject to PRC withholding taxes on dividends paid on the ADSs or Class A ordinary shares. See "—People's Republic of China Taxation." A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on the ADSs or Class A ordinary shares. Pursuant to recently issued Treasury Regulations, however, if a U.S. Holder is not eligible for the benefits of the income tax treaty between the United States and the PRC (the "Treaty") or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares. A U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding taxes, but only for a year in which such U.S. holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. holders are advised to consult their tax advisors regarding the availability of the foreign tax credit or deduction under their particular circumstances, their eligibility for benefits under the Treaty and the potential impact of the recently issued Treasury Regulations.

***Sale or Other Disposition of ADSs or Ordinary Shares***

Subject to the PFIC rules discussed below, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of the ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. holder's adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term if the ADSs or Class A ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Long-term capital gain of non-corporate U.S. holders is generally eligible for a reduced rate of taxation. The deductibility of a capital loss may be subject to limitations. In the event that we are treated as a PRC "resident enterprise" under the PRC Enterprise Income Tax Law and gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in the PRC, a U.S. holder that is eligible for the benefits of the Treaty may elect to treat the gain as PRC source income. Pursuant to recently issued Treasury Regulations, however, if a U.S. Holder is not eligible for the benefits of the Treaty or does not elect to apply the Treaty, then such holder may not be able to claim a foreign tax credit arising from any PRC tax imposed on the disposition of the ADSs or ordinary shares. U.S. holders are advised to consult its tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the ADSs or Class A ordinary shares, including the availability of the foreign tax credit or deduction under their particular circumstances, their eligibility for benefits under the Treaty and the potential impact of the recently issued Treasury Regulations.

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2022, and we will likely be classified as a PFIC for our current taxable year. U.S. holders are urged to consult their tax advisors regarding the tax considerations of the sale or other disposition of the ADSs or Class A ordinary shares in their particular circumstances.

***Passive Foreign Investment Company Rules***

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2022, and we will likely be classified as a PFIC for our current taxable year. If we are a PFIC for any taxable year during which a U.S. holder holds the ADSs or Class A ordinary shares, and unless the U.S. holder makes a mark-to-market election or a qualified electing fund (QEF) (as described below), the U.S. holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, for subsequent taxable years, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder's holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of the ADSs or Class A ordinary shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. holder's holding period for the ADSs or Class A ordinary shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. holder's holding period prior to the first taxable year in which we are a PFIC, or pre-PFIC year, will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. holder for that year; and an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. holder holds the ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. holders are advised to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to the ADSs (but not with respect to our Class A ordinary shares, which are not listed on the NYSE), provided that the ADSs are regularly traded on NYSE. If a mark-to-market election is made, the U.S. holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. holder makes an effective mark-to-market election, in each year that we are a PFIC any gain recognized upon the sale or other disposition of the ADSs will be treated as ordinary income and loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

If a U.S. holder makes a mark-to-market election in respect of a PFIC and such corporation ceases to be a PFIC, the U.S. holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not a PFIC.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that a PFIC may own, a U.S. holder who makes a mark-to-market election with respect to the ADSs may continue to be subject to the general PFIC rules with respect to such U.S. holder's indirect interest in any of our non-United States subsidiaries if any of them is a PFIC.

We do not intend to provide information necessary for U.S. holders to make qualified electing fund, or QEF elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

As discussed above under "Dividends," dividends that we pay on the ADSs or Class A ordinary shares will not be eligible for the reduced tax rate that applies to qualified dividend income if we are a PFIC for the taxable year in which the dividend is paid or the preceding taxable year. In addition, if a U.S. holder owns the ADSs or Class A ordinary shares during any taxable year that we are a PFIC, such holder would generally be required to file an annual IRS Form 8621. Each U.S. holder is advised to consult its tax advisors regarding the potential tax consequences to such holder if we are or become a PFIC, including the possibility of making a mark-to-market election.

***Backup Withholding and Information Reporting***

Dividends paid on, and proceeds from the sale or other disposition of, the ADSs or Class A ordinary shares to a U.S. holder generally may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless the U.S. holder provides an accurate taxpayer identification number and makes any other required certification or otherwise establishes an exemption. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. holder will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is furnished to the IRS in a timely manner.

***Information with Respect to Foreign Financial Assets***

U.S. holders who are individuals (and certain entities closely held by individuals) generally will be required to report the name, address and such information relating to an interest in the ADSs or ordinary shares as is necessary to identify the class or issue of which the ADSs or ordinary shares are a part. These requirements are subject to exceptions, including an exception for ADSs or Class A ordinary shares held in accounts maintained by certain financial institutions and an exception applicable if the aggregate value of all "specified foreign financial assets" (as defined in the Code) does not exceed US$50,000.

U.S. holders should consult their tax advisors regarding the application of these information reporting rules.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

We previously filed with the SEC our registration statement on Form F-1, as amended and prospectus under the Securities Act of 1933, with respect to our Class A ordinary shares. We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the

Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish The Bank of New York Mellon, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

In accordance with NYSE Rule 203.01, we will post this annual report on Form 20-F on our website at *http://ir.cmcm.com*. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

**I. Subsidiary Information**

Not applicable.

**J. Annual Report to Security Holders**

Not applicable.

**Item 11. Quantitative and Qualitative Disclosures about Market Risk**

**Quantitative and Qualitative Disclosure about Market Risk**

***Foreign Exchange Risk***

Our revenues and expenses are primarily denominated in RMB or U.S. dollar. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

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

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

***Interest Rate Risk***

Our exposure to interest rate risk primarily relates to interest income generated by excess cash, which is mainly held in interest-bearing bank deposits, loans and interest expense generated from certain bank loans. We generated interest income of RMB36.0 million, RMB25.4 million and RMB35.7 million (US$5.2 million), and interest expense of RMB0.4 million, nil and nil, for the years ended December 31, 2020, 2021 and 2022, respectively. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

***Market Price Risk***

We are exposed to market price risk primarily with respect to investment securities held by us which are reported at fair value. A substantial portion of our investment in equity investees are held for long-term appreciation or for strategic purposes. And are accounted for under equity method or measurement alternative and not subject to market price risk. We are also exposed to commodity price risk in our AI business as increase of hardware price may in turn increase our cost in AI hardware sales and operations.

**Item 12. Description of Securities Other than Equity Securities**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights**

Not applicable.

**C. Other Securities**

Not applicable.

**D. American Depositary Shares**

**Fees and Charges Our ADS holders May Have to Pay**

The Bank of New York Mellon, the depositary of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid. The depositary's corporate trust office at which the ADSs will be administered is located at 240 Greenwich Street, New York, NY 10286, United States. The depositary's principal executive office is located at 240 Greenwich Street, New York, NY 10286, United States.

| Persons depositing or withdrawing shares must pay: | For: |
|---|---|
| $5.00 (or less) per 100 ADSs (or portion of 100 ADSs) | • Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property<br>• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates |
| $.05 (or less) per ADS | • Any cash distribution to ADS holders |
| A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs | • Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders |
| $.05 (or less) per ADSs per calendar year | • Depositary services |
| Registration or transfer fees | • Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares |
| Expenses of the depositary | • Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)<br>• converting foreign currency to U.S. dollars |
| Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes | • As necessary |
| Any charges incurred by the depositary or its agents for servicing the deposited securities | • As necessary |

**Fees and Other Payments Made by the Depositary to Us**

The depositary has agreed to reimburse us annually for our expenses incurred in connection with the administration and maintenance of our ADS facility including, but not limited to, investor relations expenses, exchange listing fees, other program related expenses related to our ADS facility and the travel expense of our key personnel in connection with such programs. The depositary has also agreed to provide additional payments to us based on the applicable performance indicators relating to our ADS facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

### Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

### Item 15. Controls and Procedures

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure the information required to be disclosed is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosures.

Based upon that evaluation, our management has concluded that, as of December 31, 2022, our disclosure controls and procedures were not effective due to the material weakness which is lack of sufficient expertise in determining fair value measurement for valuation of certain long-term investments.

**Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined under Rule 13(a)-15(f) and 15(d)-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Criteria"). As defined in the standards established by the U.S. Public Company Accounting Oversight Board, or PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Based upon this evaluation, our management has concluded that, our internal control over financial reporting was ineffective as of December 31, 2022 due to the material weakness which is lack of sufficient expertise in determining fair value measurement for valuation of certain long term investments.

To remedy the identified material weakness, we plan to (i) improve the review and monitoring control over the fair value measurement for valuation and involve third party valuation experts; and (ii) carry out related training course for accounting and reporting personal.

**Attestation Report of the Registered Public Accounting Firm**

Because our Company is a non-accelerated filer, this annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting.

**Changes in Internal Control over Financial Reporting**

In connection with the preparation and external audit of our consolidated financial statements as of and for the year ended December 31, 2021, we and our independent registered public accounting firm identified a material weakness in internal control over financial reporting and concluded that our internal control over financial reporting was ineffective as of December 31, 2021. The material weakness identified was in our controls over the projected financial information used in the impairment assessment of an equity investment.

Following the identification of the above-mentioned material weakness, we have taken measures to remediate the material weakness including but not limited to (i) additional review and monitoring controls over the projected financial information used in the impairment assessment of equity investments; (ii) formalizing the processes to retain appropriate documentation over the precision of management's review, and the completeness and accuracy of relevant underlying data used; (iii) providing specific training to the investment and finance department pertaining to projected financial information. During the fiscal year ended December 31, 2022, our management completed the design, implementation and testing of the newly designed and enhanced controls and determined that, as of December 31, 2022, these controls were appropriately designed and operating effectively to conclude the prior year's material weakness has been remediated.

Other than as described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16A. Audit Committee Financial Expert**

Our board of directors has determined that Dr. Yun Zhang, an independent director (under the standards set forth in the NYSE rules and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.

**Item 16B. Code of Ethics**

Our board of directors has adopted a code of ethics that applies to our directors, officers and employees, including certain provisions that specifically apply to our senior officers, including our chief executive officer, chief financial officer, other chief senior officers, senior financial officers, controllers, senior vice presidents, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 to our registration statement on Form F-1 (File Number 333-194996), as amended, filed with the SEC on April 22, 2014. The code is also available on our official website under the corporate governance section at our investor relations website *http://ir.cmcm.com*.

We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

**Item 16C. Principal Accountant Fees and Services**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP and Marcum Asia CPAs LLP, our principal external auditors, for the periods indicated.

| | 2021 | 2022 |
|---|---|---|
| | (in thousands) | |
| Audit fees[(1)] | US$1,683 | US$1,391 |
| Tax fees[(2)] | US$159 | US$117 |

Notes:

(1) Audit fees means the aggregate fees billed in each of the fiscal periods listed for professional services rendered by our principal auditors for the audit of our annual consolidated financial statements and assistance with and review of documents filed with the SEC. In 2021 the audit refers to financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. In 2022, the audit refers to financial audit.

(2) Tax fees means the aggregated fees billed in each of the fiscal periods listed for professional services rendered by our former auditor, Ernst & Young Hua Ming LLP, for tax compliance, tax advice and tax planning.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young Hua Ming LLP and Marcum Asia CPAs LLP, including audit services, tax services and all other fees as described above, other than those for *de minimis* services which are approved by the audit committee prior to the completion of the audit. Our audit committee has approved all of our audit fees and tax fees for the year ended December 31, 2022.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

On September 13, 2018, our board of directors approved a share repurchase program of up to US$100 million of our outstanding ADSs for a period not exceeding 12 months. The repurchases may be made from time to time on the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means. We publicly announced the share repurchase program on September 13, 2018. The share purchase program expired on September 12, 2019 and we had repurchased approximately 4.5 million ADSs for approximately US$32.3 million under this program prior to its expiration.

**Item 16F. Change in Registrant's Certifying Accountant**

On December 2, 2022, we appointed Marcum Asia CPAs LLP, or Marcum Asia, as our independent registered public accounting firm in connection with the audit of our consolidated financial statements for the fiscal year ended December 31, 2022. Marcum Asia replaced Ernst & Young Hua Ming LLP, or EY, who was dismissed on December 2, 2022. The change of our independent registered public accounting firm was approved by our board of directors and our audit committee.

EY's audit reports on our consolidated financial statements as of and for each of the fiscal years ended December 31, 2020 and 2021 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle. During the fiscal years ended December 31, 2020 and 2021 and the subsequent interim period through December 2, 2022, there were no (i) disagreements, as defined in Item 16F(a)(1)(iv) of Form 20-F and the related instructions, between us and EY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of EY, would have caused EY to make reference to the subject matter of the disagreements in connection with its reports on the consolidated financial statements, or (ii) reportable events as defined in Item 16F(a)(1)(v) of Form 20-F other than:

a. the material weakness reported in our 2021 annual report on Form 20-F filed with the SEC on July 26, 2022, specifically, the material weakness identified as of December 31, 2021 was in our controls over the projected financial information used in the impairment assessment of an equity investment.

b. the material weakness reported in our 2020 annual report on Form 20-F filed with the SEC on May 14, 2021, specifically, the material weakness identified as of December 31, 2020 was that we did not have a sufficient complement of resources in the tax department to perform the management review controls over income taxes.

Our audit committee discussed the reportable events mentioned above with EY. EY was authorized to fully respond to the inquiries of Marcum Asia on the reportable events.

We provided a copy of this disclosure in Item 16F to EY and requested that EY furnish us with a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letter from EY addressed to the SEC, dated April 18, 2023, is filed herein as Exhibit 15.4.

During our two most recent fiscal years ended December 31, 2020 and 2021 and any subsequent interim period prior to the engagement of Marcum Asia on December 2, 2022, neither we nor anyone on our behalf has consulted with Marcum Asia on either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us by Marcum Asia that Marcum Asia concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was the subject of a disagreement, as that term is defined in Item 16F(a)(1)(iv) of Form 20-F (and the related instructions thereto) or a reportable event as set forth in Item 16F(a)(1)(v) of Form 20-F.

**Item 16G. Corporate Governance**

Prior to October 1, 2017, because Kingsoft Corporation owned more than 50% of the total voting power in our company, we were a "controlled company" under Section 303A of the Corporate Governance Rules of the NYSE. A controlled company need not comply with the applicable NYSE corporate governance rules requiring its board of directors to have a majority of independent directors and independent compensation and nominating and corporate governance committees. We availed ourselves of these controlled company exemptions. As a result, we rely on certain exemptions that are available to controlled companies from the NYSE corporate governance requirements, including the requirements that:

- a majority of our board of directors consist of independent directors;
- our compensation committee be composed entirely of independent directors; and
- our nominating and corporate governance committee be composed entirely of independent directors.

We have ceased to be a controlled company within the meaning of Section 303A of the Corporate Governance Rules of the NYSE since October 1, 2017. We have completed changes in our board and committee composition and have satisfied the full independence requirements of the NYSE corporate governance rules since March 13, 2018, including:

- we satisfy the majority independent board requirement;
- our compensation committee is fully independent; and
- our nominating and corporate governance committee is fully independent.

The Corporate Governance Rules of the NYSE permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. Currently, we rely on home country practice exemption with respect to the requirements for an audit committee composed of at least three members and annual shareholders' meeting and did not hold an annual shareholders' meeting in 2022. We may also opt to rely on additional home country practice exemptions in the future. As a result, our shareholders may be afforded less protection than they otherwise would under the New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to the ADSs—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance rules; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the NYSE corporate governance rules. In addition, we are also a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies."

**Item 16H. Mine Safety Disclosure**

Not applicable.

**Item 16I. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections**

Cheetah Mobile Inc. was conclusively listed as a "Commission-Identified Issuer" by the Securities and Exchange Commission under the HFCAA in August 2022 following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. The former auditor of our Company and the VIEs, Ernst & Young Hua Ming LLP, a registered public accounting firm that the PCAOB was unable to inspect or investigate completely in 2021, issued the audit report for us for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and vacated the 2021 Determinations. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCAA after we file this annual report on Form 20-F.

As of the date of this annual report and to our best knowledge: (i) no governmental entities in the Cayman Islands or in the PRC own shares of Cheetah Mobile Inc. or the VIEs, (ii) the governmental entities in the PRC do not have a controlling financial interest in Cheetah Mobile Inc. or the VIEs, (iii) none of the members of the board of directors of Cheetah Mobile Inc. or our operating entities, including the VIEs, is an official of the Chinese Communist Party, and (iv) none of the articles of association (or equivalent organizing document) of Cheetah Mobile Inc. or the VIEs contains any charter of the Chinese Communist Party.

**Item 16J. Insider Trading Policies**

Not applicable.

## PART III

### Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

### Item 18. Financial Statements

The consolidated financial statements of Cheetah Mobile Inc., its subsidiaries, VIEs and the then subsidiaries of VIEs are included at the end of this annual report.

### Item 19. Exhibits

| Exhibit Number | Description of Document |
|---|---|
| 1.1 | Fourth amended and restated memorandum and articles of association of the Registrant (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014) |
| 2.1 | Registrant's specimen American depositary receipt (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 25, 2014) |
| 2.2 | Registrant's specimen certificate for Class A ordinary shares (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014) |
| 2.3 | Deposit agreement dated May 7, 2014 among the Registrant, the depositary and owners and holders of the American depositary shares (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-8 (file no. 333-199577) filed with the Securities and Exchange Commission on October 24, 2014) |
| 2.4* | Description of Securities |
| 4.1 | 2011 share award scheme and amendments thereto (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2017) |
| 4.2 | 2013 equity incentive plan (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1 (file no. 333- 194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.3 | 2014 restricted shares plan (incorporated by reference to Exhibit 10.48 to our Registration Statement on Form F-1 (file no. 333- 194996) filed with the Securities and Exchange Commission on April 25, 2014) |
| 4.4* | 2023 share incentive plan |
| 4.5 | Form of indemnification agreement between the Registrant and its director and executive officers (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.6 | Form of employment agreement between the Registrant and its executive officers (incorporated by reference to Exhibit 10.4 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.7 | Business operation agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.6 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.8 | Loan agreement, by and among Conew Network, Ming Xu and Wei Liu, dated June 20, 2012 (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.9 | Exclusive technology development, support and consultancy agreement, between Conew Network and Beijing Network, dated July 18, 2012 (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |

| Exhibit Number | Description of Document |
|---|---|
| 4.10 | Exclusive equity option agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.11 | Shareholder voting proxy agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.12 | Equity pledge agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.13 | Financial support undertaking letter signed by Conew Network with respect to Beijing Network, dated January 17, 2014 (incorporated by reference to Exhibit 10.12 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.14 | Spousal consent, signed by Xinchan Li, Wei Liu's spouse, dated July 18, 2012 (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.15 | Business operation agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 (incorporated by reference to Exhibit 10.22 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.16 | Loan agreements, by and among Beijing Security, Sheng Fu and Weiqin Qiu, dated January 1, 2011 and September 21, 2012 (incorporated by reference to Exhibit 10.23 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.17 | Exclusive technology development, support and consultancy agreement, between Beijing Security and Beike Internet (currently Beijing Mobile), dated January 1, 2011 (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.18 | Exclusive equity option agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 (incorporated by reference to Exhibit 10.25 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.19 | Shareholder voting proxy agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 (incorporated by reference to Exhibit 10.26 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.20 | Equity pledge agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 and amendment thereto, dated October 11, 2012 (incorporated by reference to Exhibit 10.27 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.21 | Financial support undertaking letter signed by Beijing Security with respect to Beike Internet (currently Beijing Mobile), dated January 17, 2014 (incorporated by reference to Exhibit 10.28 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |
| 4.22 | Spousal consent, signed by Jin Wang, Weiqin Qiu's spouse, dated January 1, 2012 (incorporated by reference to Exhibit 10.29 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014) |

| Exhibit Number | Description of Document |
|---|---|
| 4.23 | Cooperation framework agreement between the Registrant and Kingsoft Corporation Limited, dated December 27, 2013 and supplemental agreement thereto, dated April 1, 2014 (incorporated by reference to Exhibit 10.38 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014) |
| 4.24 | Non-competition deed between the Registrant and Kingsoft Corporation Limited, dated May 14, 2014 (incorporated by reference to Exhibit 4.46 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015) |
| 4.25 | Intellectual property transfer and license framework agreement the Registrant and Kingsoft Corporation, dated April 1, 2014 (incorporated by reference to Exhibit 10.46 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014) |
| 4.26 | Share and asset purchase agreement among the Registrant, Hongkong Zoom Interactive Network Marketing Technology Limited and other parties thereto, dated June 6, 2014 (incorporated by reference to Exhibit 4.52 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015) |
| 4.27 | Stock purchase agreement among Hongkong Cheetah Mobile Technology Limited, MobPartner SAS and other parties thereto, dated March 15, 2015 (incorporated by reference to Exhibit 4.53 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015) |
| 4.28 | Parent guarantee between the Registrant and the Sellers' Representatives named therein, dated March 15, 2015 (incorporated by reference to Exhibit 4.54 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015) |
| 4.29 | Share transfer agreement among Beijing Security, Weiqin Qiu and Ming Xu, dated October 19, 2015, with respect to Guangzhou Network (incorporated by reference to Exhibit 4.37 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.30 | VIE termination agreement among Beijing Security, Guangzhou Network, Weiqin Qiu and Ming Xu, dated October 19, 2015 (incorporated by reference to Exhibit 4.38 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.31 | Share transfer agreement between Beijing Security and each of Ming Xu and Wei Liu, dated October 13, 2015, with respect to Beijing Antutu (incorporated by reference to Exhibit 4.39 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.32 | VIE termination agreement among Beijing Security, Beijing Antutu, Ming Xu and Wei Liu, dated October 13, 2015 (incorporated by reference to Exhibit 4.40 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.33 | Supplemental agreements to strategic cooperation agreement between the Registrant and Shenzhen Tencent Computer Systems Company Limited, dated June 30, 2015 and November 5, 2015 (incorporated by reference to Exhibit 4.41 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.34 | Strategic cooperation agreement between the Registrant and Shenzhen Tencent Computer Systems Company Limited, dated December 30, 2015 (incorporated by reference to Exhibit 4.42 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.35 | Supplemental agreement to strategic cooperation agreement dated December 30, 2015 between the Registrant and Shenzhen Tencent Computer Systems Company Limited, dated November 19, 2016 (incorporated by reference to Exhibit 4.34 to our Annual Report on Form 20-F (file no. 001-36427 filed with the Securities and Exchange Commission on April 26, 2017)) |

| Exhibit Number | Description of Document |
|---|---|
| 4.36 | Supplemental agreement to share and asset purchase agreement among the Registrant, Hongkong Zoom Interactive Network Marketing Technology Limited and other parties thereto, dated March 16, 2015 (incorporated by reference to Exhibit 4.43 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.37 | Amendment to stock purchase agreement among Hongkong Cheetah Mobile Technology Limited, MobPartner SAS and other parties thereto, dated December 15, 2015 (incorporated by reference to Exhibit 4.44 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016) |
| 4.38 | Share transfer agreement between Kun Wang and Ming Xu, dated July 3, 2018, with respect to Beijing Network (incorporated by reference to Exhibit 4.37 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.39 | Agreement on cancellation of contracts among Beijing Network, Conew Network, Wei Liu, Kun Wang and Ming Xu, dated July 3, 2018 (incorporated by reference to Exhibit 4.38 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.40 | Exclusive service agreement between Beijing Network and Conew Network, dated July 3, 2018 (incorporated by reference to Exhibit 4.39 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.41 | Exclusive equity option agreement, by and among Beijing Network, Conew Network, Wei Liu and Kun Wang, dated July 3, 2018 (incorporated by reference to Exhibit 4.40 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.42 | Proxy agreement and power of attorney, by and among Conew Network, Beijing Network, Wei Liu and Kun Wang, dated July 3, 2018 (incorporated by reference to Exhibit 4.41 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.43 | Equity pledge agreement, by and among Conew Network, Beijing Network, Wei Liu and Kun Wang, dated July 3, 2018 (incorporated by reference to Exhibit 4.42 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.44 | Spousal consent, signed by Jiayu Li, Kun Wang's spouse, dated July 3, 2018, with respect to Beijing Network (incorporated by reference to Exhibit 4.43 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.45 | Spousal consent, signed by Xinchan Li, Wei Liu's spouse, dated July 3, 2018, with respect to Beijing Network (incorporated by reference to Exhibit 4.44 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.46 | Share transfer agreement between Kun Wang and Ming Xu, dated July 5, 2018, with respect to Beijing Conew (incorporated by reference to Exhibit 4.45 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.47 | Agreement on cancellation of contracts among Beijing Conew, Conew Network, Sheng Fu and Ming Xu, dated July 5, 2018 (incorporated by reference to Exhibit 4.46 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.48 | Exclusive service agreement between Beijing Conew and Conew Network, dated July 5, 2018 (incorporated by reference to Exhibit 4.47 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.49 | Exclusive equity option agreement, by and among Beijing Conew, Conew Network, Sheng Fu and Kun Wang, dated July 5, 2018 (incorporated by reference to Exhibit 4.48 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.50 | Proxy agreement and power of attorney, by and among Conew Network, Beijing Conew, Sheng Fu and Kun Wang, dated July 5, 2018 (incorporated by reference to Exhibit 4.49 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.51 | Equity pledge agreement, by and among Conew Network, Beijing Conew, Sheng Fu and Kun Wang, dated July 5, 2018 (incorporated by reference to Exhibit 4.50 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |

| Exhibit Number | Description of Document |
|---|---|
| 4.52 | Spousal consent, signed by Jiayu Li, Kun Wang's spouse, dated July 5, 2018, with respect to Beijing Conew (incorporated by reference to Exhibit 4.51 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019) |
| 4.53 | Framework agreement, by and among Conew Network, Beijing Network, our company, Wei Liu and Kun Wang, dated December 20, 2019 (incorporated by reference to Exhibit 4.52 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.54 | Equity pledge agreement, by and among Conew Network, Beijing Network, Wei Liu and Kun Wang, dated December 20, 2019 (incorporated by reference to Exhibit 4.53 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.55 | Exclusive equity option agreement, by and among our company, Wei Liu, Kun Wang and Beijing Network, dated December 20, 2019 (incorporated by reference to Exhibit 4.54 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.56 | Proxy agreement and power of attorney, by and among our company, Beijing Network, Wei Liu and Kun Wang, dated December 20, 2019 (incorporated by reference to Exhibit 4.55 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.57 | Spousal consent, signed by Xinchan Li, Wei Liu's spouse, dated December 20, 2019, with respect to Beijing Network (incorporated by reference to Exhibit 4.56 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.58 | Spousal consent, signed by Jiayu Li, Kun Wang's spouse, dated December 20, 2019, with respect to Beijing Network (incorporated by reference to Exhibit 4.57 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.59 | Framework agreement, by and among Conew Network, Beijing Conew, our company, Sheng Fu and Kun Wang, dated December 20, 2019 (incorporated by reference to Exhibit 4.58 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.60 | Exclusive equity option agreement, by and among our company, Sheng Fu, Kun Wang and Beijing Conew, dated December 20, 2019 (incorporated by reference to Exhibit 4.59 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.61 | Equity pledge agreement, by and among Conew Network, Beijing Conew, Sheng Fu and Kun Wang, dated December 20, 2019 (incorporated by reference to Exhibit 4.60 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.62 | Proxy agreement and power of attorney, by and among our company, Beijing Conew, Sheng Fu and Kun Wang, dated December 20, 2019 (incorporated by reference to Exhibit 4.61 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.63 | Spousal consent, signed by Jiayu Li, Kun Wang's spouse, dated December 20, 2019, with respect to Beijing Conew (incorporated by reference to Exhibit 4.62 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.64 | Framework agreement, by and among Beijing Security, Beijing Mobile, our company, Sheng Fu and Weiqin Qiu, dated December 20, 2019 (incorporated by reference to Exhibit 4.63 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.65 | Exclusive equity option agreement, by and among our company, Sheng Fu, Weiqin Qiu and Beijing Mobile, dated December 20, 2019 (incorporated by reference to Exhibit 4.64 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |

| Exhibit Number | Description of Document |
|---|---|
| 4.66 | Equity pledge agreement, by and among Beijing Security, Beijing Mobile, Sheng Fu and Weiqin Qiu, dated December 20, 2019 (incorporated by reference to Exhibit 4.65 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.67 | Proxy agreement and power of attorney, by and among our company, Beijing Mobile, Sheng Fu and Weiqin Qiu, dated December 20, 2019 (incorporated by reference to Exhibit 4.66 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 15, 2020) |
| 4.68 | Asset purchase agreement, by and among our company, AppLovin Corporation and other parties thereto, dated September 21, 2020 (incorporated by reference to Exhibit 4.67 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on May 14, 2021) |
| 8.1* | List of significant subsidiaries and VIEs |
| 11.1 | Code of business conduct and ethics (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014) |
| 12.1* | Certification by principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 12.2* | Certification by principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 13.1** | Certification by principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 13.2** | Certification by principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 15.1* | Consent of Global Law Office |
| 15.2* | Consent of Ernst & Young Hua Ming LLP |
| 15.3* | Consent of Marcum Asia CPAs LLP |
| 15.4* | Letter from Ernst & Young Hua Ming LLP to the Securities and Exchange Commission, dated April 18, 2023 |
| 15.5* | Submission under Item 16I(a) of Form 20-F in relation to the Holding Foreign Companies Accountable Act |
| 101.INS* | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith.
** Furnished herewith.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Cheetah Mobile Inc.**

By: /s/ Sheng Fu

Name: Sheng Fu
Title: Chief Executive Officer and Director

Date: April 18, 2023

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Cheetah Mobile Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheet of Cheetah Mobile Inc. (the "Company") as of December 31, 2022, the related consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited the adjustments to the 2020 & 2021 consolidated financial statements to retrospectively apply the adjustments to reflect the change in the ratio of the ADS to the Company's Class A ordinary shares, as described in Note 18. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 & 2021 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 & 2021 financial statements taken as a whole.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

***Valuation of Certain Long-term investments***

*Description of the Matter*

On December 31, 2022, the Company had equity investment accounted for using fair value option of RMB 370.2 million measured at fair value on a recurring basis, and certain equity investments accounted for using the measurement alternative of RMB 646.6 million measured at fair value on a non-recurring basis. The Company measures equity securities accounted for using measurement alternative on a non-recurring basis only if there are observable price changes in orderly transactions for identical or similar investments of the same issuer or an impairment loss were to be recognized. As disclosed in Note 20 to the consolidated financial statements, the Company determined the fair value using the discounted cash flow method, market approach or back-solve method, when appropriate, with significant unobservable inputs.

Auditing the valuation of such long-term investments was complex and required subjective auditor judgment due to the determination of whether an observable price change of the same issuer is an orderly transaction and identical or similar to an investment held by the Company, and the significant inputs used when measuring the fair value, including weighted average costs of capital, compound annual growth rates, EBIT margin and volatility which are forward-looking and could be materially affected by future economic and market conditions.

*How We Addressed the Matter in Our Audit*

We obtained an understanding of the design and implementation of the controls related to the Company's assessment of whether an observable price change in an orderly transaction was for an identical or similar investment of the same issuer and the management review control over the Company's fair value measurement of its long-term investments.

We performed audit procedure on the management assessment of whether an observable price change in an orderly transaction was for an identical or similar investment of the same issuer and reviewed the investment agreements of the transactions.

To test the estimated fair value of the above long-term investments, we performed audit procedures that included, among others, testing the significant inputs and the underlying data used by the Company. For a valuation under discounted cashflow method, we tested the discounted cash flow models and evaluated the reasonableness of the significant inputs and assumptions in its projected financial information. We interviewed the management of the equity investee, obtained and evaluated the evidence to support the significant assumptions, performed retrospective review and analyzed industry and economic trends.

With the assistance of our valuation specialists, we assessed the valuation techniques, tested the unobservable inputs including but not limited to weighted average costs of capital and volatility used in the valuation methodologies by comparing certain assumptions to industry, market information and comparable companies. We performed independent recalculation of the fair value of equity investments based on management's significant inputs and compared them to the Company's valuation results.

We also obtained management's sensitivity analysis of its significant assumptions, and evaluated the sensitivity of the significant assumptions and potential management bias.

/s/ Marcum Asia CPAs LLP

We have served as the Company's auditor since 2022.

Beijing, China
April 18, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Cheetah Mobile Inc. (the Company)

**Opinion on the Financial Statements**

We have audited, before the effects of retrospective adjustments to reflect the change in the ratio of the ADS to the Company's Class A ordinary shares as described in Note 18, the accompanying consolidated balance sheet of the Company as of December 31, 2021, the related consolidated statements of comprehensive income (loss), cash flows and changes in shareholders' equity for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements, before the effects of retrospective adjustments to reflect the change in the ratio of the ADS to the Company's Class A ordinary shares as described in Note 18, present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We were not engaged to audit, review or apply any procedures to the retrospective adjustments to reflect the change in the ratio of the ADS to the Company's Class A ordinary shares as described in Note 18, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Marcum Asia CPAs LLP.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB)and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP
We served as the Company's auditor from 2014 to 2022.
Beijing, The People's Republic of China
July 26, 2022

**CHEETAH MOBILE INC.**
**CONSOLIDATED BALANCE SHEETS**
**AS OF DECEMBER 31, 2021 AND 2022**
**(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)**

| | Notes | As of December 31, | | |
|---|---|---|---|---|
| | | 2021 | 2022 | |
| | | RMB | RMB | US$ |
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | 1,583,926 | 1,515,799 | 219,770 |
| Restricted cash | | 781 | 696 | 101 |
| Short-term investments | 4 | 262,813 | 156,182 | 22,644 |
| Accounts receivable (net of allowance for credit losses of RMB92,695 and RMB102,161 (US$14,812) as of December 31, 2021 and 2022, respectively) | 5 | 170,305 | 283,774 | 41,143 |
| Prepayments and other current assets, net | 6 | 479,329 | 968,145 | 140,368 |
| Due from related parties, net | 14 | 101,333 | 199,099 | 28,867 |
| **Total current assets** | | **2,598,487** | **3,123,695** | **452,893** |
| **Non-current assets** | | | | |
| Property and equipment, net | 7 | 101,794 | 58,727 | 8,515 |
| Operating lease right-of-use assets | 9 | 45,181 | 39,579 | 5,738 |
| Intangible assets, net | 8 | 10,052 | 8,430 | 1,222 |
| Long-term investments | 4 | 1,994,397 | 1,792,331 | 259,863 |
| Due from related parties, net | 14 | 111,335 | 3,840 | 557 |
| Deferred tax assets | 13 | 14,384 | 19,337 | 2,804 |
| Other non-current assets | | 102,688 | 93,480 | 13,554 |
| **Total non-current assets** | | **2,379,831** | **2,015,724** | **292,253** |
| **Total assets** | | **4,978,318** | **5,139,419** | **745,146** |
| **LIABILITIES, NONCONTROLLING INTERESTS AND SHAREHOLDERS' EQUITY** | | | | |
| Current liabilities (including current liabilities of the VIEs and VIEs' subsidiaries without recourse to the Company amounting to RMB184,078 and RMB226,846 (US$32,889) as of December 31, 2021 and 2022, respectively) (Note 1) | | | | |
| Accounts payable | | 134,879 | 132,994 | 19,282 |
| Accrued expenses and other current liabilities | 10 | 1,137,348 | 1,586,769 | 230,060 |
| Due to related parties | 14 | 37,760 | 23,629 | 3,426 |
| Income tax payable | | 43,907 | 35,135 | 5,094 |
| **Total current liabilities** | | **1,353,894** | **1,778,527** | **257,862** |

**CHEETAH MOBILE INC.**
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**
**AS OF DECEMBER 31, 2021 AND 2022**
**(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)**

| | Notes | As of December 31, 2021 | As of December 31, 2022 | |
|---|---|---|---|---|
| | | RMB | RMB | US$ |
| **Non-current liabilities** (including non-current liabilities of the VIEs and VIEs' subsidiaries without recourse to the Company amounting to RMB7,947 and RMB2,339 (US$339) as of December 31, 2021 and 2022, respectively) (Note 1) | | | | |
| Deferred tax liabilities | 13 | 58,564 | 55,770 | 8,086 |
| Other non-current liabilities | 10 | 205,717 | 200,336 | 29,046 |
| **Total non-current liabilities** | | **264,281** | **256,106** | **37,132** |
| **Total liabilities** | | **1,618,175** | **2,034,633** | **294,994** |
| **Commitments and contingencies** | 16 | | | |
| **Shareholders' equity** | | | | |
| Class A ordinary shares (par value of US$0.000025 per share; 7,600,000,000 shares authorized; 487,234,522 and 480,604,900 shares issued as of December 31, 2021 and 2022, respectively; 487,234,522 and 479,458,004 shares outstanding as of December 31, 2021 and 2022, respectively) | 17 | 79 | 80 | 12 |
| Class B ordinary shares (par value of US$0.000025 per share; 1,400,000,000 shares authorized; 957,465,244 and 970,015,685 shares issued as of December 31, 2021 and 2022, respectively; 945,496,827 and 970,015,685 shares outstanding as of December 31, 2021 and 2022, respectively) | 17 | 156 | 156 | 22 |
| Additional paid-in capital | | 2,685,544 | 2,688,571 | 389,806 |
| Retained earnings/(Accumulated losses) | 17 | 505,085 | (9,424) | (1,366) |
| Accumulated other comprehensive income | 17 | 88,262 | 353,948 | 51,318 |
| **Total Cheetah Mobile Inc. shareholders' equity** | | **3,279,126** | **3,033,331** | **439,792** |
| Noncontrolling interests | | 81,017 | 71,455 | 10,360 |
| **Total shareholders' equity** | | **3,360,143** | **3,104,786** | **450,152** |
| **Total liabilities and shareholders' equity** | | **4,978,318** | **5,139,419** | **745,146** |

The accompanying notes are an integral part of these consolidated financial statements.

**CHEETAH MOBILE INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**
**(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)**

| | Notes | For the year ended December 31, | | | |
|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | |
| | | RMB | RMB | RMB | US$ |
| **Revenues (a)** | | | | | |
| Internet business | | 1,380,906 | 653,759 | 697,387 | 101,112 |
| AI and others | | 171,739 | 130,857 | 186,679 | 27,066 |
| **Total Revenues** | | **1,552,645** | **784,616** | **884,066** | **128,178** |
| Cost of revenues (a) | | (475,378) | (257,656) | (252,561) | (36,618) |
| **Gross profit** | | **1,077,267** | **526,960** | **631,505** | **91,560** |
| **Operating income and expenses (a)** | | | | | |
| Research and development | | (455,179) | (211,594) | (180,957) | (26,236) |
| Selling and marketing | | (766,986) | (370,274) | (476,853) | (69,137) |
| General and administrative | | (380,533) | (191,868) | (214,337) | (31,076) |
| Other operating (expenses) income, net | | (5,684) | 17,205 | 15,051 | 2,182 |
| **Total operating expenses** | | **(1,608,382)** | **(756,531)** | **(857,096)** | **(124,267)** |
| **Operating loss** | | **(531,115)** | **(229,571)** | **(225,591)** | **(32,707)** |
| **Other income (expenses)** | | | | | |
| Interest income, net | | 35,655 | 25,391 | 35,710 | 5,177 |
| Foreign exchange gains (losses), net | | 39,393 | 24,288 | (95,434) | (13,837) |
| Other income | 3/4 | 1,081,506 | 252,998 | 101,265 | 14,681 |
| Other expense | 3/4 | (117,192) | (412,677) | (361,730) | (52,444) |
| **Income (loss) before income taxes** | | **508,247** | **(339,571)** | **(545,780)** | **(79,130)** |
| Income tax (expenses) benefits | 13 | (97,090) | (13,633) | 25,089 | 3,638 |
| **Net income (loss)** | | **411,157** | **(353,204)** | **(520,691)** | **(75,492)** |
| **Less: net loss attributable to noncontrolling interests** | | **(5,575)** | **(2,078)** | **(7,216)** | **(1,046)** |
| **Net income (loss) attributable to Cheetah Mobile Inc.** | | **416,732** | **(351,126)** | **(513,475)** | **(74,446)** |
| **Earnings (Losses) per share** | 18 | | | | |
| Basic | | 0.2895 | (0.2469) | (0.3617) | (0.0524) |
| Diluted | | 0.2857 | (0.2469) | (0.3619) | (0.0525) |
| **Earnings (Losses) per ADS (1 ADS represent 50 Class A ordinary share) (b)** | 18 | | | | |
| Basic | | 14.4763 | (12.3469) | (18.0854) | (2.6221) |
| Diluted | | 14.2872 | (12.3469) | (18.0954) | (2.6236) |
| **Weighted average number of shares used in computation of ordinary shares:** | | | | | |
| Basic | | 1,402,509,386 | 1,430,052,602 | 1,443,682,305 | 1,443,682,305 |
| Diluted | | 1,421,067,906 | 1,430,052,602 | 1,443,682,305 | 1,443,682,305 |

| | Notes | For the year ended December 31, 2020 | 2021 | 2022 | |
|---|---|---|---|---|---|
| | | RMB | RMB | RMB | US$ |
| **Other comprehensive (loss) income, net of tax of nil** | 17 | | | | |
| Foreign currency translation adjustments | | (167,476) | (75,536) | 271,640 | 39,384 |
| Unrealized losses on available-for-sale securities, net | | (7,251) | — | (8,269) | (1,199) |
| **Other comprehensive (loss) income** | | **(174,727)** | **(75,536)** | **263,371** | **38,185** |
| **Total comprehensive income (loss)** | | **236,430** | **(428,740)** | **(257,320)** | **(37,307)** |
| **Less: total comprehensive loss attributable to noncontrolling interests** | | **(5,869)** | **(2,536)** | **(9,531)** | **(1,382)** |
| **Total comprehensive income (loss) attributable to Cheetah Mobile Inc.** | | **242,299** | **(426,204)** | **(247,789)** | **(35,925)** |

*Note:*

*(a) The amount of transactions with related parties recorded in revenues, cost of revenues and operating expenses are as follows:*

| | For the year ended December 31, 2020 | 2021 | 2022 | |
|---|---|---|---|---|
| | RMB | RMB | RMB | US$ |
| Revenues | 112,706 | 70,444 | 53,706 | 7,787 |
| Cost of revenues | (101,250) | (61,429) | (41,102) | (5,959) |
| Research and development | (12,173) | (2,557) | (4,143) | (601) |
| Selling and marketing | (993) | (1,178) | (89) | (13) |
| General and administrative | (4,403) | (5,303) | (3,441) | (499) |

Details of the related party transactions are set out in Note 14(b) to the consolidated financial statements.

(*b)Retrospectively adjusted to reflect the change in the ratio of the ADS to the Company's Class A ordinary shares (Note 18).*

The accompanying notes are an integral part of these consolidated financial statements.

**CHEETAH MOBILE INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**
**(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)**

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| **Cash flows from operating activities** | | | | |
| **Net income (loss)** | **411,157** | **(353,204)** | **(520,691)** | **(75,492)** |
| **Adjustments to reconcile net income (loss) to net cash from operating activities** | | | | |
| Depreciation of property and equipment | 52,137 | 45,751 | 49,208 | 7,134 |
| Amortization of intangible assets | 16,409 | 5,071 | 3,817 | 553 |
| Non-cash operating lease expense | 44,086 | 18,533 | 6,393 | 927 |
| Provision for credit losses | 10,607 | 13,688 | 29,556 | 4,285 |
| Impairment of assets | 150,381 | 394,979 | 261,835 | 37,962 |
| Foreign currency exchange (gains) losses | (40,361) | (29,799) | 95,434 | 13,837 |
| Losses (Gains) on disposal of property and equipment and intangible assets | 3,422 | 447 | (7,257) | (1,052) |
| (Gains) Losses on disposal/deemed disposal of businesses and subsidiaries/VIEs | (394,225) | 2,487 | (254) | (37) |
| Gains on disposal of investments | (507,346) | (92,143) | (32,536) | (4,717) |
| Changes in fair value of financial assets | (127,739) | (90,606) | 25,658 | 3,720 |
| Share of loss (income) from equity method investments | 5,231 | (60,992) | 12,143 | 1,761 |
| Deferred income tax (benefits) expenses | (9,628) | 920 | (12,881) | (1,868) |
| Share-based compensation expenses | 80,982 | 7,150 | 7,863 | 1,139 |
| **Changes in operating assets and liabilities** | | | | |
| Accounts receivable | 179,223 | 56,990 | (103,567) | (15,016) |
| Prepayments and other current assets | (87,319) | 315,614 | (447,179) | (64,834) |
| Due from related parties | (49,380) | 68,753 | 17,736 | 2,571 |
| Other non-current assets | 18,103 | 979 | 9,225 | 1,337 |
| Accounts payable | 104,725 | 31,272 | (10,391) | (1,507) |
| Accrued expenses and other current liabilities | 63,046 | (201,293) | 236,332 | 34,265 |
| Operating lease liabilities | (35,532) | (37,770) | (4,335) | (629) |
| Due to related parties | (24,650) | (10,518) | (15,054) | (2,183) |
| Income tax payable | (32,437) | 17,954 | (11,776) | (1,707) |
| Other non-current liabilities | 122,976 | (1,452) | (13,528) | (1,961) |
| **Net cash (used in) provided by operating activities** | **(46,132)** | **102,811** | **(424,249)** | **(61,512)** |
| **Cash flows from investing activities** | | | | |
| Purchases of property, plant and equipment and intangible assets | (59,269) | (46,818) | (6,783) | (984) |
| Purchase of long-term investments | (185,924) | (9,500) | (69,581) | (10,088) |
| Purchase of short-term investments | (1,375,485) | (3,630,357) | (1,005,110) | (145,727) |
| Proceeds from maturity of short-term investments | 2,327,147 | 3,726,028 | 1,111,461 | 161,147 |
| Proceeds from disposal of businesses and subsidiaries/VIE's subsidiaries, net of cash acquired | 159,817 | 45,043 | — | — |
| Proceeds from disposal of property and equipment and intangible assets | 2,715 | 199 | 7,516 | 1,090 |

**CHEETAH MOBILE INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**
**(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)**

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Proceeds from disposal of long-term investments | 1,021,746 | 188,193 | 153,549 | 22,262 |
| Loans to related parties | (15,012) | (100,000) | — | — |
| Loans to third parties | (6,810) | (600) | (5,000) | (725) |
| Repayment of loans from related parties | 7,608 | 38,848 | — | — |
| Repayment of loans from third parties | 3,830 | 9,800 | 3,000 | 435 |
| **Net cash provided by investing activities** | **1,880,363** | **220,836** | **189,052** | **27,410** |
| **Cash flows from financing activities** | | | | |
| Proceeds from bank loans | 70,119 | — | — | — |
| Repayment for bank loans | (65,423) | — | — | — |
| Proceeds and advance from share-based awards | 2,511 | — | — | — |
| Purchase of shares from noncontrolling shareholders | — | (4,620) | (4,866) | (706) |
| Payment of dividends to noncontrolling shareholders | (22,089) | (5,020) | — | — |
| Payment of dividends to Cheetah Mobile Inc. shareholders | (1,435,775) | — | — | — |
| **Net cash used in financing activities** | **(1,450,657)** | **(9,640)** | **(4,866)** | **(706)** |
| **Effect of exchange rate changes on cash and cash equivalents and restricted cash** | **(68,761)** | **(29,755)** | **171,851** | **24,918** |
| **Net increase (decrease) in cash and cash equivalents and restricted cash** | **314,813** | **284,252** | **(68,212)** | **(9,890)** |
| **Cash and cash equivalents and restricted cash at beginning of year** | **985,642** | **1,300,455** | **1,584,707** | **229,761** |
| **Cash and cash equivalents and restricted cash at end of year** | **1,300,455** | **1,584,707** | **1,516,495** | **219,871** |
| **Supplemental disclosures** | | | | |
| Cash payments for income taxes | (9,016) | (5,974) | (12,365) | (1,793) |
| Cash payments for interest expenses | (223) | (8) | — | — |
| Cash payments for operating leases | (45,342) | (37,448) | (15,446) | (2,239) |
| Right-of-use assets (released) obtained in exchange for operating lease liabilities-Non-cash | (113,978) | 52,338 | 9,768 | 1,416 |
| **Non-cash investing and financing activities:** | | | | |
| Acquisition of property and equipment and intangible assets included in accrued expenses and other current liabilities | 4,547 | 3,917 | 5,896 | 855 |
| Disposal of investment, businesses and subsidiaries included in prepayments and other current assets | 32,606 | 57,611 | 9,348 | 1,355 |
| Disposal of investment, businesses and subsidiaries included in related parties | 23,418 | — | — | — |

The accompanying notes are an integral part of these consolidated financial statements.

## CHEETAH MOBILE INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
## FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022
## (Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

| | Number of Class A Ordinary Shares | Class A Ordinary Shares | Number of Class B Ordinary Shares | Class B Ordinary Shares | Additional paid-in capital | Accumulated other comprehensive income (loss) | Retained earnings | Total Cheetah Mobile Inc. shareholder's equity | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RMB | | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| **Balance at January 1, 2020** | **431,985,016** | **69** | **946,017,565** | **156** | **2,649,342** | **337,773** | **1,944,938** | **4,932,278** | **62,269** | **4,994,547** |
| Net income (loss) | — | — | — | — | — | — | 416,732 | 416,732 | (5,575) | 411,157 |
| Adoption of ASC 326 | — | — | — | — | — | — | (40,874) | (40,874) | — | (40,874) |
| Cancellation of Class B ordinary shares | — | — | (15) | — | — | — | — | — | — | — |
| Share-based compensation | — | — | — | — | 63,173 | — | 17,293 | 80,466 | 508 | 80,974 |
| Conversion of Class B ordinary shares to Class A ordinary shares by shareholders | 520,723 | — | (520,723) | — | — | — | — | — | — | — |
| Exercise and vesting of share-based awards | 49,608,017 | 9 | — | — | 14,104 | — | — | 14,113 | — | 14,113 |
| Other comprehensive loss | — | — | — | — | — | (174,433) | — | (174,433) | (294) | (174,727) |
| Disposal of subsidiaries | — | — | — | — | — | — | — | — | (15,897) | (15,897) |
| Dividends declared on share awards of consolidated subsidiaries | — | — | — | — | — | — | (27,296) | (27,296) | — | (27,296) |
| Dividends declared by the Company to Cheetah Mobile Inc. shareholders | — | — | — | — | — | — | (1,453,605) | (1,453,605) | — | (1,453,605) |
| **Balance at December 31, 2020** | **482,113,756** | **78** | **945,496,827** | **156** | **2,726,619** | **163,340** | **857,188** | **3,747,381** | **41,011** | **3,788,392** |

**CHEETAH MOBILE INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)**
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**
**(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)**

| | Number of Class A Ordinary Shares | Class A Ordinary Shares | Number of Class B Ordinary Shares | Class B Ordinary Shares | Additional paid-in capital | Accumulated other comprehensive income (loss) | Retained earnings | Total Cheetah Mobile Inc. shareholder's equity | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RMB | | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| Net loss | — | — | — | — | — | — | (351,126) | (351,126) | (2,078) | (353,204) |
| Share-based compensation | — | — | — | — | 6,248 | — | — | 6,248 | — | 6,248 |
| Exercise and vesting of share-based awards, including subsidiaries' awards | 5,120,766 | 1 | — | — | (46,432) | — | — | (46,431) | 46,431 | — |
| Other comprehensive loss | — | — | — | — | — | (75,078) | — | (75,078) | (458) | (75,536) |
| Disposal of a subsidiary | — | — | — | — | — | — | 130 | 130 | — | 130 |
| Dividends declared on share awards of consolidated subsidiaries | — | — | — | — | — | — | (1,107) | (1,107) | (1,887) | (2,994) |
| Change in equity interest of consolidated subsidiaries | — | — | — | — | (891) | — | — | (891) | (2,002) | (2,893) |
| **Balance at December 31, 2021** | **487,234,522** | **79** | **945,496,827** | **156** | **2,685,544** | **88,262** | **505,085** | **3,279,126** | **81,017** | **3,360,143** |

## CHEETAH MOBILE INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
## FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022
## (Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

| | Number of Class A Ordinary Shares | Class A Ordinary Shares | Number of Class B Ordinary Shares | Class B Ordinary Shares | Additional paid-in capital | Accumulated other comprehensive income (loss) | Retained earnings | Total Cheetah Mobile Inc. shareholder's equity | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | | RMB | | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| Net loss | — | — | — | — | — | — | (513,475) | (513,475) | (7,216) | (520,691) |
| Share-based compensation | — | — | — | — | 7,863 | — | — | 7,863 | — | 7,863 |
| Exercise and vesting of share-based awards, including subsidiaries' awards | (7,776,518) | 1 | 24,518,858 | — | (4,836) | — | — | (4,835) | 4,835 | — |
| Other comprehensive income (loss) | — | — | — | — | — | 265,686 | — | 265,686 | (2,315) | 263,371 |
| Disposal of a subsidiary | — | — | — | — | — | — | (139) | (139) | — | (139) |
| Dividends declared on share awards of consolidated subsidiaries | — | — | — | — | — | — | (895) | (895) | — | (895) |
| Change in equity interest of subsidiaries | — | — | — | — | — | — | — | — | (4,866) | (4,866) |
| **Balance at December 31, 2022** | **479,458,004** | **80** | **970,015,685** | **156** | **2,688,571** | **353,948** | **(9,424)** | **3,033,331** | **71,455** | **3,104,786** |
| **Balance at December 31, 2022 in US$** | **479,458,004** | **12** | **970,015,685** | **22** | **389,806** | **51,318** | **(1,366)** | **439,792** | **10,360** | **450,152** |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Cheetah Mobile Inc. (formerly known as Kingsoft Internet Security Software Holdings Limited) (the "Company") is a limited company incorporated in the Cayman Islands under the laws of Cayman Islands on July 30, 2009. The Company and its consolidated subsidiaries and variable interest entities ("VIEs") (collectively referred to the "Group") are principally engaged in the provision of internet services and artificial intelligence ("AI") and other services. The Company conducts its primary business operations through its subsidiaries, VIEs and subsidiaries of VIEs.

Details of the Company's principal subsidiaries and VIEs as of December 31, 2022 are as follows:

| Company | Date of incorporation/ registration | Place of incorporation/ registration | Percentage of ownership (i) | Principal activities |
|---|---|---|---|---|
| ***Principal subsidiaries of the Company:*** | | | | |
| Cheetah Technology Corporation Limited ("Cheetah Technology") | August 26, 2009 | Hong Kong | 100% | Investment holding, provision of internet products and related services |
| Beijing Kingsoft Internet Security Software Co., Ltd. ("Beijing Security") | November 30, 2009 | The PRC | 100% | Provision of internet products and related services, sale of AI products |
| Conew Network Technology (Beijing) Co., Ltd. ("Conew Network") | March 19, 2009 | The PRC | 100% | Provision of internet products and related services |
| Hongkong Zoom Interactive Network Marketing Technology Limited ("HK Zoom") | July 4, 2014 | Hong Kong | 100% | Provision of AI and other services |
| Cheetah Information Technology Company Limited ("Cheetah Information") | March 9, 2015 | Hong Kong | 100% | Investment holding |

| Company | Date of incorporation/ registration | Place of incorporation/ registration | Percentage of ownership (i) | Principal activities |
|---|---|---|---|---|
| ***Principal subsidiaries of the Company (continued):*** | | | | |
| Cheetah Mobile Singapore Pte. Ltd. ("Cheetah Mobile Singapore") | May 27, 2015 | Singapore | 100% | Provision of internet products and related services |
| Multicloud Limited | July 20, 2017 | Hong Kong | 100% | Provision of internet products and related services |
| Beijing Kingsoft Cheetah Technology Co., Ltd. | April 30, 2015 | The PRC | 100% | Provision of internet products and related services |
| Jingdezhen Jibao Information Service Co., Ltd. | August 10, 2017 | The PRC | 100% | Provision of internet products and related services, sale of AI products |
| Japan Kingsoft Inc. ("Kingsoft Japan") | March 9, 2005 | Japan | 40.0% | Provision of internet products and related services |
| Zhuhai Baoqu Technology Co., Ltd. | July 18, 2018 | The PRC | 75.0% | Provision of internet products and related services |
| **VIEs:** | | | | |
| Beijing Conew Technology Development Co., Ltd. ("Beijing Conew") | December 22, 2005 | The PRC | Nil | Dormant |
| Beijing Cheetah Mobile Technology Co., Ltd. ("Beijing Mobile") | April 15, 2009 | The PRC | Nil | Provision of internet products and related services |
| Beijing Cheetah Network Technology Co., Ltd. ("Beijing Network") | July 18, 2012 | The PRC | Nil | Provision of internet products and related services |

(i) Percentage of ownership is calculated on fully diluted basis.

***VIE arrangements***

Before December 2019, in order to comply with the PRC laws and regulations which prohibit foreign control of companies involved in internet value-added business, the Group operates its website and conducts substantially the majority of its internet value-

added services in the PRC through Beijing Mobile, Beijing Network, and Beijing Conew and other VIEs (collectively referred to as the "VIEs") and its wholly-owned subsidiaries. Except for Beijing Conew, the registered capital of the VIEs was funded by Beijing Security and Conew Network (each or collectively referred to as the "Former Primary Beneficiaries") through loans extended to the VIEs' shareholders (the "Nominee Shareholders"), Sheng Fu, who is the Company's director, as well as Ms. Weiqin Qiu, Kun Wang and Wei Liu. The effective control of the VIEs is held by the Former Primary Beneficiaries, through a series of contractual agreements (the "Contractual Agreements"). As a result of the Contractual Agreements, the Former Primary Beneficiaries have the power to direct the activity that most significantly impacts the economic performance of the VIEs and receive the economic benefits of the VIEs.

The following is a summary of the Contractual Agreements amongst Beijing Security, as the Former Primary Beneficiary, Beijing Mobile, as the VIE and Beijing Mobile's Nominee Shareholders before December 2019. Contractual Agreements entered with other VIEs, including but not limited to Beijing Network and Beijing Conew, are substantially similar:

*Exclusive technology development, support, and consulting agreements*

Pursuant to the exclusive technology development, support and consulting agreement entered into between the Former Primary Beneficiary and the VIE, the VIE engaged the Former Primary Beneficiary as its exclusive provider of management consulting services, technical development and support services in return for service fees of not less than 30% of the VIE's pre-tax revenue. The Former Primary Beneficiary has the sole right to adjust the services fees upon written request and shall exclusively own any intellectual property arising from the performance of this agreement. The agreements will remain effective unless terminated upon mutual agreement by both parties. During the term of the agreement, the VIE may not enter into any agreement with third parties for the provision of any technical or management consulting services without the consent of the Former Primary Beneficiary.

*Loan agreements*

Pursuant to the loan agreements among the Former Primary Beneficiary, the Nominee Shareholders and the VIE, the Former Primary Beneficiary granted loans to the Nominee Shareholders for their sole purpose of contributing to the registered capital of the VIE or in certain cases directly to the VIE under the VIE arrangements. As of December 31, 2022, the aggregate amount of these loans was RMB16,800 (US$2,436). At the option of the Former Primary Beneficiary, repayment may be requested at any time, which may be in the form of transferring the VIE's equity interest to the Former Primary Beneficiary or its designees. The Nominee Shareholders may offer to repay part or the entire loans at any time, to the extent permitted by PRC laws, in the form of transferring the VIE's equity interest to the Former Primary Beneficiary or its designees.

*Exclusive equity option agreements*

Pursuant to the exclusive equity option agreement entered into among the Former Primary Beneficiary, the VIE and the Nominee Shareholders, the Former Primary Beneficiary was granted an exclusive and irrevocable option to purchase, or designate a third party to purchase, all or part of the equity interest of the VIE held by the Nominee Shareholders. Without the prior written consent of the Former Primary Beneficiary, the Nominee Shareholders shall not assign or transfer to any third party or create or cause any equity interest in whatsoever form to be created on, all or any part of the equity interest held in the VIE. In addition, dividends and any form of distributions are not permitted without the prior consent of the Former Primary Beneficiary. The exercise consideration is equal to the minimum price permitted under the PRC laws and any amount in excess of the corresponding loan amount shall be refunded by the Nominee Shareholders to the Former Primary Beneficiary or the Former Primary Beneficiary may deduct the excess amount upon payment of consideration. The Former Primary Beneficiary or its designee(s) may exercise such option at any time until it has acquired all the equity interest of the VIE. The agreement will remain effective until all the equity interests held by the Nominee Shareholders have been lawfully transferred to the Former Primary Beneficiary or its designee(s) pursuant to the terms of the agreement.

*Equity pledge agreements*

Pursuant to the equity pledge agreement entered into among the Nominee Shareholders, the VIE and the Former Primary Beneficiary, the Nominee Shareholders pledged all of their equity interest in the VIE to the Former Primary Beneficiary as collateral for all of their payments due to the Former Primary Beneficiary and to secure their obligations under the above agreements. Without the prior written consent of the Former Primary Beneficiary, the Nominee Shareholders may not assign or transfer to any third party or

create or cause any equity interest in whatsoever form to be created on, all or any part of the equity interest they hold in the VIE. The Former Primary Beneficiary is entitled to transfer or assign in full, or in part, the equity interest pledged. In the event of default, the Former Primary Beneficiary as the pledgee, has first priority to be compensated through the sale or auction of the pledged equity interest. The Nominee Shareholders agree to waive their dividend rights in relation to all of the pledged equity interest until such pledge has been lawfully discharged. The equity pledge agreement will remain effective until all the obligations under these agreements have been satisfied in full or all of the guaranteed liabilities have been repaid.

*Shareholder voting proxy agreements*

Pursuant to the shareholder voting proxy agreement signed among the Nominee Shareholders, the VIE and the Former Primary Beneficiary, each of the Nominee Shareholders irrevocably nominates, appoints and constitutes any person designated by the Primary Former Beneficiary as its attorney-in-fact to exercise on such shareholder's behalf any and all rights that such shareholder has in respect of its equity interest in the VIE (including but not limited to the voting rights and the right to nominate executive directors of the VIE). The shareholder voting proxy agreement is effective for an initial ten years and will be automatically renewed on an annual basis thereafter if the Former Primary Beneficiary does not provide notice of termination to the Nominee Shareholders thirty days prior to expiration.

*Business operation agreements*

Pursuant to the business operations agreement entered into among the Nominee Shareholders, the VIE and the Former Primary Beneficiary, the Nominee Shareholders must appoint candidates designated by the Former Primary Beneficiary as the members of the board of the VIE and the Former Primary Beneficiary has the right to appoint senior executives of the VIE. In addition, the VIE agrees not to engage in any transaction that may materially affect its assets, obligations, rights or operation without the prior written consent of the Former Primary Beneficiary. The Nominee Shareholders also agree to unconditionally pay or transfer to the Former Primary Beneficiary any bonus, dividends or any other profits or interest (in whatever form) that they are entitled to as shareholders of the VIE, and waive any consideration connected therewith. The agreement has a term of ten years, unless otherwise terminated by the Former Primary Beneficiary. Neither the VIE nor the Nominee Shareholders may terminate this agreement.

*Spousal consent letters*

The spouse of certain shareholder of the VIE has executed spousal consent letter. Pursuant to such letter, the spouses of certain shareholder of the VIE acknowledged that certain equity interest in the VIE held by and registered in the name of her spouse will be disposed pursuant to relevant arrangements under the shareholder voting proxy agreement, the exclusive equity option agreement, the equity pledge agreement and the loan agreement. This spouse undertakes not to take any action to interfere with the disposition of such equity interest, including, without limitation, claiming that such equity interest constitutes communal marital property.

On January 17, 2014, the Contractual Agreements were supplemented with financial support undertaking letters executed by the Former Primary Beneficiary to memorialize the Former Primary Beneficiary's commitment to the VIEs and the commitment shall be retrospectively effective from the date the other contractual agreements were fully executed. Pursuant to the financial support undertaking letter, the Former Primary Beneficiary commits to provide unlimited financial support to the VIE to support their operations whether or not the VIE incurs any losses, and not request for repayment if the VIE is unable to do so.

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Former Primary Beneficiaries and the VIEs through the irrevocable shareholder voting proxy agreements, whereby the Nominee Shareholders effectively assigned all of the voting rights underlying their equity interest in the VIEs to the Former Primary Beneficiaries. Furthermore, pursuant to the exclusive equity option agreements, which include a substantive kick-out right, the Former Primary Beneficiaries have the power to control the Nominee Shareholders, and therefore the power to govern the activities that most significantly impact the economic performance of the VIEs. In addition, through the Contractual Agreements, the Former Primary Beneficiaries demonstrate its ability and intention to continue to exercise the ability to absorb substantially all of the expected losses and the majority of the profits of the VIEs, and therefore have the rights to the economic benefits of the VIEs.

Normally, the shareholders of the VIEs have the right to elect and terminate the executive directors of the VIEs, approve the annual budget, financial statements and significant investing and financing activities of the VIEs. However, pursuant to the

shareholder voting proxy agreements, the shareholders of the VIEs have assigned all of their voting rights underlying the equity interest in the VIEs to any person(s) nominated, appointed or designated by the Former Primary Beneficiaries. Senior management of the Company, all employees of the Former Primary Beneficiaries, are generally responsible for the review and approval of sales contracts, credit approval policies, pricing policies, significant marketing promotions, product development, research and development, bandwidth and traffic expenditures, as well as the appointments and terminations of personnel. Therefore, the Former Primary Beneficiaries have the power to direct the activities of the VIEs that most significantly impact their economic performance.

Thus, Beijing Security and Conew Network are considered as the Former primary beneficiaries of the VIEs. As a result of the above, the Company, through the Former Primary Beneficiaries, consolidate the VIEs in accordance with SEC Regulation S-X 3A-02 and Accounting Standards Codification ("ASC") 810, *Consolidation* ("ASC 810").

In December 2019, the following two agreements included in the Contractual Agreements for certain VIEs, including Beijing Conew, Beijing Mobile and Beijing Network, were amended and replaced, mainly including the following terms:

a. Exclusive equity option agreements

The Company (i) has an exclusive option to purchase, when and to the extent permitted under PRC laws, all or part of the equity interests in the VIEs or all or part of the assets held by the VIEs, (ii) has an exclusive right to cause the Nominee Shareholders to transfer their equity interests in the VIE to the Company or any designated third party and (iii) may provide financial support to the VIEs (only to the extent permitted under PRC laws) when the VIEs become in need of any form of reasonable financial support in the normal operation of business. The Company will not request repayment of any outstanding loans or borrowings from the VIEs if the VIEs do not have sufficient funds or are unable to repay such loans or borrowings.

b. Proxy agreements and power of attorney

The Nominee Shareholders of the VIEs agreed to irrevocably entrust all the rights to exercise their voting power and any other rights as shareholders of the VIEs to the Company or any third party designated by the Company. The Company, or any designated third party, as the Entrustee, shall have the right to exercise all the rights as shareholders of the VIEs in its sole discretion, and none of the Nominee Shareholders shall exercise any rights as shareholders of the VIEs without the prior written consent of the Company. The Nominee Shareholders of the VIEs have each executed an irrevocable power of attorney to appoint the Company as their attorney-in-fact to vote on their behalf on all matters requiring shareholder approval.

According to such amendment and replacement, the power and the rights pursuant to the Proxy Agreements and Power of Attorney have since been effectively reassigned from the Former Primary Beneficiaries to the Company which has the power to direct the activities of the VIEs that most significantly impact the VIEs' economic performance. The Company is also obligated to absorb the expected losses of the VIE through the financial support as described above. Therefore, the Company has replaced the Former Primary Beneficiaries as the primary beneficiary of the VIEs, including but not limited to Beijing Conew, Beijing Mobile and Beijing Network since December 2019. As the VIEs were subject to indirect control by the Company through its PRC subsidiaries immediately before and direct control immediately after the Contractual Agreements were amended, the change of the primary beneficiary of the VIEs was accounted for as a common control transaction based on the carrying amount of the net assets transferred. Contractual Agreements for the VIEs effective since December 2019 are substantially similar, including Exclusive equity option agreements and Proxy agreements and power of attorney with the Company and other agreements, including Exclusive technology development, support, and consulting agreements, Equity pledge agreements, Business operation agreements, with the Company's subsidiary(ies).

The Company, in consultation with its PRC legal counsel, believes that (i) the ownership structure of the Group, including its subsidiaries in the PRC and VIEs does not result in any violation of all existing PRC laws and regulations; (ii) each of the Contractual Agreements amongst the primary beneficiary, the VIEs and the Nominee Shareholders of the VIEs governed by PRC laws, are legal, valid and binding, enforceable against such parties, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) each of the Company's PRC subsidiaries, VIEs and subsidiary of VIEs have the necessary corporate power and authority to conduct its business as described in its business scope under its business license, which is in full force and effect, and does not violate the articles of association.

However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations. If the Company, the Company's PRC subsidiaries or any of its current or future VIEs are found in violation of any existing or future laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating the income of the Company's PRC subsidiaries, and the VIEs, revoking the business licenses or operating licenses of the Company's PRC subsidiaries, and VIEs, shutting down the Group's servers or blocking the Group's websites, discontinuing or placing restrictions or onerous conditions on the Group's operations, requiring the Group to undergo a costly and disruptive restructuring, restricting the Group's rights to use the proceeds from this offering to finance the Group's business and operations in PRC, or enforcement actions that could be harmful to the Group's business. Any of these actions could cause significant disruption to the Group's business operations and severely damage the Group's reputation, which would in turn materially and adversely affect the Group's business and results of operations. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of VIEs or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs.

In addition, if the VIEs or the Nominee Shareholders fail to perform their obligations under the Contractual Agreements, the Group may have to incur substantial costs and expend resources to enforce the Primary Beneficiary's rights under the contracts. The Group may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. All of these Contractual Agreements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal system in PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Group's ability to enforce these contractual arrangements. Under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event the Group is unable to enforce these Contractual Agreements, the Company may not be able to exert effective control over its VIEs, and the Group's ability to conduct its business may be negatively affected.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The assets and liabilities of the VIEs and subsidiaries of VIEs are as follows:

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Cash and cash equivalents | 37,496 | 221,732 | 32,148 |
| Restricted cash | 144 | — | — |
| Short-term investments | 120,197 | 63,035 | 9,139 |
| Accounts receivable, net | 12,462 | 14,050 | 2,037 |
| Prepayments and other current assets, net | 21,906 | 28,364 | 4,112 |
| Due from related parties, net (i) | 761,270 | 762,835 | 110,601 |
| **Total current assets** | **953,475** | **1,090,016** | **158,037** |
| Property and equipment, net | 25,515 | 19,008 | 2,756 |
| Operating lease right-of-use assets | 3,529 | 2,837 | 411 |
| Intangible assets, net | 5,097 | 4,077 | 591 |
| Long-term investments | 272,169 | 288,826 | 41,876 |
| Other non-current assets | 45,990 | 43,836 | 6,356 |
| Deferred tax assets | 1,180 | 4,435 | 643 |
| **Total non-current assets** | **353,480** | **363,019** | **52,633** |
| **Total assets** | **1,306,955** | **1,453,035** | **210,670** |
| Accounts payable | 7,205 | 15,911 | 2,307 |
| Accrued expenses and other current liabilities | 147,097 | 195,917 | 28,405 |
| Due to related parties (i) | 1,053,536 | 1,157,428 | 167,811 |
| Income tax payable | 751 | 738 | 107 |
| **Total current liabilities** | **1,208,589** | **1,369,994** | **198,630** |
| Deferred tax liabilities | — | — | — |
| Other non-current liabilities | 7,947 | 2,339 | 339 |
| **Total non-current liabilities** | **7,947** | **2,339** | **339** |
| **Total liabilities** | **1,216,536** | **1,372,333** | **198,969** |

(i) The balances due from and due to related parties of the VIEs and subsidiaries of VIEs mainly represented amounts due from and due to subsidiaries of the Group. As of December 31, 2021, and 2022, amounts due from subsidiaries of the Group were RMB706,646 and RMB737,129 (US$106,874), respectively, while amounts due to subsidiaries of the Group were RMB1,024,511 and RMB1,143,148 (US$165,741), respectively, which were eliminated upon consolidation by the Company.

The carrying amounts of the assets, liabilities and the results of operations of the VIEs and their subsidiaries are presented in aggregate due to the similarity of the purpose and design of the VIEs and their subsidiaries, the nature of the assets in these VIEs and their subsidiaries and the type of the involvement of the Company in these VIEs and their subsidiaries.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The financial performance and cash flows of the VIEs and subsidiaries of VIEs are as follows:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Revenues | 659,626 | 320,942 | 344,288 | 49,917 |
| Cost of revenues | 194,103 | 205,955 | 224,726 | 32,582 |
| Net (loss) income | (8,825) | (8,489) | 3,792 | 550 |
| Net cash (used in) provided by operating activities | (36,196) | 209,357 | 154,403 | 22,386 |
| Net cash provided by (used in) investing activities | 21,168 | (255,027) | (98,598) | (14,295) |
| Net cash provided by financing activities | — | 91,093 | 128,461 | 18,625 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (53) | (35,987) | 868 | 126 |

The revenue producing assets that are held by the VIEs and subsidiaries of VIEs primarily comprise of leasehold improvements, servers, licensed software, network equipment, acquired trade name and acquired domain name. Substantially all of such assets are recognized in the Group's consolidated financial statements, except for certain Internet Content Provider Licenses, internally developed software, trademarks and patent applications which were not recorded in the Company's consolidated balance sheets as they do not meet all the capitalization criteria. The VIEs and subsidiaries of VIEs also hire assembled work force on sales, research and development and operations whose costs are expensed as incurred.

As of December 31, 2022, there was no pledge or collateralization of the VIEs' and their subsidiaries' assets that can only be used to settle the obligations of the VIEs and their subsidiaries, other than aforementioned pledges in the equity pledge agreements and restricted cash. The creditors of the VIEs and subsidiaries of VIEs have no recourse to the general credit of the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Basis of presentation***

The consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP").

***Principles of consolidation***

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and subsidiaries of VIEs. All significant intercompany transactions and balances between the Company, its subsidiaries, VIEs and subsidiaries of VIEs are eliminated upon consolidation. Results of subsidiaries, businesses acquired from third parties, VIEs and subsidiaries of VIEs are consolidated from the date on which control is transferred to the Company.

On May 26, 2011, the board of directors of the Company approved and adopted a share award scheme (the "2011 Share Award Scheme") in which selected employees of the Group are entitled to participate. The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administering the 2011 Share Award Scheme and holding shares awarded to the employees before they vest and are transferred to the employees as instructed by employees. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the employees who have been awarded the shares of the Company through their continued employment with the Group, the Share Award Scheme Trust are included in the consolidated financial statements and any ungranted and unvested shares held by the Share Award Scheme Trust not transferred to grantees are not considered legally issued and outstanding ordinary shares of the Company.

***Use of estimates***

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Management evaluates estimates, including those related to the standalone selling prices of performance obligation of revenue contracts, the allowance for credit losses, the average paying user lives of online games, useful lives of long-lived assets and intangible assets, impairment of long-lived assets, impairment of investments, net realizable value of inventories, valuation allowance for deferred tax assets, uncertain tax positions, share-based compensation, fair values of investments, and loss contingencies, among others.

***Foreign currency translation and transactions***

The functional currency of the Company is the US$. The Company's subsidiaries, VIEs and subsidiaries of VIEs determined their functional currency based on the criteria of ASC 830, *Foreign Currency Matters*. The Group uses RMB as its reporting currency. The Group uses the monthly average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of shareholders' equity.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included as a component of "Foreign exchange gains, net" in the consolidated statements of comprehensive income (loss).

***Convenience translation***

Amounts in US$ are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.8972 to US$1.00 on December 30, 2022 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

***Business combinations and noncontrolling interests***

Business combinations are recorded using the purchase method of accounting, and the cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the (i) the total of consideration paid, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the subsidiary acquired over (ii) the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the consideration of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of comprehensive income.

For the Company's majority-owned subsidiaries and VIEs, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. Consolidated net income (loss) on the consolidated statements of comprehensive income (loss) includes the net income (loss) attributable to noncontrolling interests. The cumulative results of operations attributable to noncontrolling interests are recorded as noncontrolling interests in the Group's consolidated balance sheets.

***Cash and cash equivalents***

Cash consists of cash on hand and bank deposits, which are unrestricted to withdrawal and use. All highly liquid investments with original stated maturity of three months or less are classified as cash equivalents and are stated at cost which approximates their fair value.

***Allowance for credit losses***

The Group maintains an allowance for credit losses in accordance with ASC 326 and records the allowance for credit losses as an offset to assets such as accounts receivable, prepayments and other current assets and due from related parties, etc. and the estimated credit losses charged to the allowance is classified as "General and administrative" and "Other expenses" in the consolidated statements of comprehensive income (loss). The Group assesses collectability by reviewing assets on a collective basis where similar characteristics exist, primarily based on similar business line, service or product offerings and on an individual basis when the Group identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Group considers historical collectability based on past due status, the age of the balances, credit quality of the Group's customers based on ongoing credit evaluations, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect the Group's ability to collect from customers.

***Account receivables, net***

Accounts receivable is recognized and carried at the original invoiced amount less an allowance for credit losses. Bad debts are written off as incurred. The Group generally does not require collateral from its customers.

***Inventories***

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value, and are recorded in "Prepayments and other current assets". Cost of inventories is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventories to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. Write downs of inventories are recorded in cost of revenues in the consolidated statements of comprehensive income (loss).

***Investments***

*Short-term investments*

Investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments. Investments that are expected to be realized in cash during the next 12 months are also included in short-term investments.

*Investment in debt securities*

The Group accounts for its investments in debt securities in accordance with ASC 320-10, *Investments-Debt Securities: Overall*. The Group classifies the investments in debt securities as "held-to-maturity", "trading" or "available-for-sale", whose classification determines the respective accounting methods stipulated by ASC 320-10. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains, or losses are realized.

The debt securities that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. The allowance for credit losses of the held-to-maturity debt securities reflects the Group's estimated expected losses over the contractual lives of the held-to-maturity debt securities and is charged to "Other expense" in the consolidated statements of comprehensive income (loss). Estimated allowances for credit losses are determined by considering reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions.

Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Unrealized holding gains and losses for trading securities are included in earnings.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale debt securities are reported at fair value, with unrealized gains and losses recorded in other comprehensive (loss) income.

*Investment in equity securities*

The Group accounts for its investments in common stock or in-substance common stock in entities in which it can exercise significant influence but does not own a majority equity interest or control using the equity method in accordance with ASC 323-10, *Investments-Equity Method and Joint Ventures: Overall* unless the Group elects to account for the investment using the fair value option in accordance with ASC 825-10, *Financial Instruments: Fair Value Option* ("ASC 825"). The Group applies the equity method of accounting that is consistent with ASC 323-10 in limited partnership in which the Group holds a three percent or greater interest. Where the equity method is used, the Group initially records its investment at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is accounted for as if the investee were a consolidated subsidiary. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of each equity investee's net income or loss into earnings after the date of investment. The Group evaluates the equity method investments for impairment under ASC 323-10. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

The Group has elected the fair value option when it initially recognizes an equity method investment as the Group determined the fair value of this investment better represents the value of the underlying assets. Such election is irrevocable and can be applied to financial assets on an individual basis at initial recognition. Any changes in fair value are recognized in earnings in the consolidated statements of comprehensive income (loss).

Equity investments with readily determinable fair value, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

For equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the Group recognizes an impairment loss in earnings equal to the difference between the carrying value and fair value.

***Fair value measurements of financial instruments***

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

Financial instruments primarily consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from and due to related parties, other receivables, long-term investments, accounts payable and other current liabilities. The carrying amounts of these financial instruments, except for long-term investments approximate their fair values because of their generally short-term maturities.

The Group, with the assistance of independent third-party valuation firms, determined the estimated fair value of its equity investments using the measurement alternative based on observable price changes, equity method investment with fair value option elected and long-term available for sale debt securities and determined the fair value of long-term investments, including equity investments using the measurement alternative and equity method investments upon impairment occurrence.

***Property and equipment***

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

| | Estimated useful life |
|---|---|
| Electronic equipment | 2-3 years |
| AI related equipment | 3 years |
| Office equipment and fixtures | 5 years |
| Motor vehicles | 4 years |
| Leasehold improvements | Lesser of term of the lease or the estimated useful lives of the assets |

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of plant and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the assets and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive income (loss).

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific fixed assets items and depreciation of these assets commences when they are ready for their intended use.

***Intangible assets***

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition. Intangible assets with finite useful lives are amortized using a straight-line method of amortization that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed. The estimated useful life for the intangible assets is as follows:

| | Estimated useful life |
|---|---|
| Customer relationship | 2-6 years |
| Trademarks | 3-10 years |
| Technology | 1-11 years |
| Online game licenses | 1-5 years |
| User base | 1 year |
| Domain names | 1-10 years |
| Platform | 5-6 years |

If an intangible asset is determined to have an indefinite life, it should not be amortized until its useful life is determined to be no longer indefinite. As of December 31, 2021 and 2022, net carrying value of the Group's intangible assets with indefinite life is nil.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

***Impairment of long-lived assets and intangible assets***

The Group evaluates its long-lived assets or asset group, including intangible assets with indefinite and finite lives, for impairment. Intangible assets with indefinite lives that are not subject to amortization are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the assets might be impaired in accordance with ASC 350-30, *Intangibles-Goodwill and Other: General Intangibles Other than Goodwill*. Such impairment test compares the fair values of assets with their carrying values with an impairment loss recognized when the carrying values exceed fair values. For long-lived assets and intangible assets with finite lives that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, the Group evaluates impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value.

***Revenue recognition***

The Group generates its revenues primarily through internet business, AI and others. Pursuant to ASC 606-10-32-2A, the Group elected to exclude sales taxes and other similar taxes from the measurement of the transaction price. Therefore, revenues are recognized net of value added taxes ("VAT").

The following table presents the Company's revenues disaggregated by revenue source:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Revenues: | | | | |
| Internet business | | | | |
| Online advertising | 855,430 | 354,604 | 355,289 | 51,512 |
| Internet value-added services | 525,476 | 299,155 | 342,098 | 49,600 |
| AI and others | | | | |
| Advertising agency services | 84,993 | 61,588 | 83,111 | 12,050 |
| Multi-cloud Management Services | 3,501 | 41,443 | 77,956 | 11,303 |
| Technical consulting service and others | 35,504 | 17,236 | 20,323 | 2,946 |
| Sale of AI hardware products | 47,741 | 10,590 | 5,289 | 767 |
| **Total consolidated revenues** | **1,552,645** | **784,616** | **884,066** | **128,178** |

*(1) Internet business*

*Online advertising*

Online advertising revenue is primarily derived from displaying advertisements for the Group's customers on its online platforms including duba.com and other websites, browsers, PC and mobile applications, and to a lesser extent, on third-party advertising publishers' websites or mobile applications. The Group has three general pricing models for its advertising products: cost over a time period, cost for performance basis and cost per impression basis. For advertising contracts over a time period, the Group generally recognizes revenue ratably over time, because the customer simultaneously receives and consumes the benefits as the Group performs throughout a fixed contract term. For contracts that are charged on the cost for performance basis, the Group charges an agreed-upon fee to its customers determined based on the effectiveness of advertising links, which is typically measured by clicks, transactions, installations, user registrations, and other actions. Revenue is recognized at a point in time when there is an effective click, transaction, installations, user registrations, and other actions. For advertising contracts that charged on cost per impression basis, the Group recognizes the revenue at a point in time when the impressions are delivered based on the mutual agreement formed with customers. For online advertising services arrangement involving third-party advertising publishers' websites or mobile publications, the Group recognizes gross revenue the amount of fees received or receivable from customers as the Group has control over the advertising services before they are transferred to the customer, and therefore, the Group is not arranging for the advertising services to be provided by third parties on their internet properties. Revenue for online advertising services involving third-party advertising publishers' websites or mobile publications is recognized at a point in time when all the revenue recognition criteria are met. Payments made to the third-party advertising publishers or content providers are included in cost of revenues.

*Internet value-added services*

The Group generates value-added services revenue principally from fee-based services, mainly including VIP membership, software subscription, and game-related services.

*VIP membership and software subscription.* The Group provides non-cancellable VIP membership services and hosted software subscription services to individual and enterprise customers, which can obtain the access to the related services over a fixed period of time at a fixed price as specified in the contract. VIP membership services are provided to customers with various privileges, which primarily include access to advertising-free and value-added services such as file and data recovery, malicious pop-up interception, PDF converting etc. The Group also provides various software such as anti-virus, security protection, immediate communication and others to individual and enterprise customers. The software license, when-and-if-available updates and related services are accounted for as a single performance obligation as the license, updates and services are inputs to a combined items in the contract. The VIP membership services and software subscription services are primarily sold in short term period, typically, no more than 12 months. Certain services have contracts with no fixed duration. For these indefinite term subscriptions, the Group estimated the expected contract period based on historical usage pattern and recognizes related revenue over the expected contract period. Upfront payment is generally required and upon the receipt of membership fees and software subscription fees, the Group recognizes the excess of payment received as compared to the recognized revenue as deferred revenue in "Accrued expenses and other liabilities" and revenue is recognized ratably over the membership period or the subscription period as services are rendered.

*Game-related services.* The Group sells both perpetual and consumable in-game virtual items. Perpetual in-game virtual items represent items that are accessible to the paying users as long as the users continue to play. Consumable virtual items represent items that can be consumed by specific user actions. The Group recognizes revenues from the perpetual in-game virtual items over the estimated average paying users' life, and revenues from the consumable in-game virtual items at a point in time when specific user actions are taken by paying users.

The Group tracks the in-game virtual item purchases and log-in history of the paying users to calculate the retention of game users based on a statistical model in order to arrive at the best estimate of the average paying users' life of each game. For newly launched games with a limited period of paying users' data available for the estimate, the Group considers the estimated average paying users' life of other recently launched games with similar characteristics.

*(2) AI and others*

*Advertising agency services*

The Group provides advertising agency services by arranging advertisers to purchase various advertisement products from certain online networks. The Group receives from the online network performance-based commissions, which are determined based on a pre-specified percentage of the payment by the advertisers for the online network's various advertisement products. The Group acts as an agent to arrange for the advertising services to be provided by third parties on their internet properties and incentives provided to the end customers are typically market-wide promotions that result in lower fee earned by the Group, and therefore are recorded as a reduction of revenue at the date the Group records the corresponding revenue transaction. Revenue from advertising agency services is recognized on a net basis at a point in time when the advertisement products are delivered by the online networks. The revenue is estimated by the Group based on the real-time advertising performance results provided by the online networks and the commission rates pre-determined in contracts signed with relevant online networks. There was no significant difference between the Group's estimates and the subsequent periodic invoices provided by the online network for all the periods presented. Receivables from advertising agency services were included in other receivables from advertisers in "Prepayments and other current assets" and payable to online networks were included in payable to online advertising platforms as agency in "Accrued expenses and other current liabilities" on the consolidated balance sheets.

*Multi-Cloud Management services*

The Group provides multi-cloud management services through cloud management platform. The nature of the Group's performance obligation is a single performance obligation to stand ready to provide integrated technical cloud-based solution or sell cloud resources to customers. Revenue is recognized over time when related solutions or resources are provided to customers. The Group evaluates whether it is appropriate to record the revenue on gross or net basis based on whether it acts as a principal or as an agent. This determination is reviewed for each specified service provided to the customer and may involve significant judgment. In certain cases, the Group concludes that it controls the solutions and resources before they are transferred to end customers, as the Group integrates the cloud resources with its technical expertise to provide ongoing customized cloud-based solutions, is primarily responsible for the fulfillment, and has inventory risk before the specified solutions and resources have been transferred to the customers and revenue is recognized on a gross basis. In other cases, the Group acts as a reseller of cloud resources and during which the Group acts as an agent to arrange for the resources to be provided by third parties and revenue is recognized on a net basis.

*Sale of AI hardware products, technical consulting service and others*

The Group recognizes revenue generally at a point in time for the sale of AI hardware products when the products are delivered to customers. Technical consulting services are recognized over time because the customer simultaneously receives and consumes the benefits as the Group performs throughout a fixed term. The Group also sell food products and coupons which can be consumed for food services in the restaurants, such revenue is recognized when the products and services are delivered to customers.

*(3) Other revenue recognition related policies*

For arrangements that include multiple performance obligations, the Group would evaluate all the performance obligations in the arrangement to determine whether each performance obligation is distinct in the context of contract. Consideration is allocated to each performance obligation based on its standalone selling price. If a promised good or service does not meet the criteria to be considered distinct in the context of contract, it is combined with other promised goods or services until a distinct bundle of goods or services exists.

The Group provides sales incentives to customers which entitle them to receive reductions in the price. The Group accounts for these incentives granted to customers as variable consideration and records it as reduction of revenue. The amount of variable consideration is measured based on the most likely amount of incentives to be provided to customers. The Group believes that there will not be significant changes to its estimate of variable consideration.

***Deferred revenue***

The Group recognizes a contract liability in the consolidated balance sheets for the contracts where the Group received the payments but have not satisfied the related performance obligation. Contract liabilities were mainly related to advance from customers in online advertising services and internet value-added services to be provided over a period of time, which were included in "Accrued expenses and other liabilities". Balances of contract liabilities were RMB164,749 and RMB205,320 (US$29,769) as of December 31, 2021 and December 31, 2022, respectively. The increase in deferred revenue as compared to the year ended December 31, 2021 is a result of the increase in fees received from membership services. Revenue recognized that was included in deferred revenue balance at the beginning of year were RMB94,056, RMB74,996 and RMB123,809 (US$17,951) for the years ended December 31, 2020, 2021 and 2022, respectively.

***Cost of revenues***

Cost of revenues primarily consists of traffic acquisition cost, bandwidth and cloud service costs, channel costs, royalty fees, salaries and benefits, share-based compensation expenses, depreciation of equipment, amortization of intangible assets and cost of products sold.

***Selling and marketing expenses***

Selling and marketing expenses consist primarily of advertising and promotional expenses, staff costs, share-based compensation expenses and other related incidental expenses that are incurred directly to attract or retain users and customers for the Group's websites, applications, software, online platforms and products. Advertising and promotional expenses are expensed when incurred. For the years ended December 31, 2020, 2021 and 2022, advertising and promotional expenses were RMB550,566, RMB242,354 and RMB361,363 (US$52,393), respectively.

***Research and development expenses***

Research and development consist primarily of employee costs and rental expenses related to personnel involved in the development and enhancement of the Group's service offerings on its websites, PC software, mobile applications and products and amortization of intangible assets used in research and development. The Group expenses these costs as incurred, unless such costs qualify for capitalization as software development costs, including (i) preliminary project is completed, (ii) management has committed to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended, and (iii) they result in significant additional functionality in the Group's products. Capitalized software development costs were not material for all periods presented.

***Government subsidies***

Government subsidies primarily consist of financial subsidies received from provincial and local governments, for operating a business in their jurisdictions or conducting research and development projects pursuant to specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. For the government subsidies with non-operating feature and with no further conditions to be met, the amounts are recorded in "Other income" when received; for the government subsidies with operating feature and with no further conditions or specific use requirements to be met, the amount are recorded in "Other operating income" when received; and for the government subsidies related to research and development projects, the amounts are recorded in others in "Accrued expenses and other liabilities" when received and will be offset against "Research and development" expenses over the project period when no further conditions are to be met.

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The Group adopted the ASU on January 1, 2022, which did not have a material impact on the consolidated financial statements.

***Leases***

The Group elected the package of practical expedients, which allow the Group to carry forward the historical lease classification, not to reassess whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Group also elected the practical expedient not to separate lease and non-lease components for certain classes of underlying assets and the short-term lease exemption for contracts with lease terms of 12 months or less.

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes right-of-use assets and lease liabilities based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. For finance leases, assets are included in property and equipment on the consolidated balance sheets. As most of the Group's leases do not provide an implicit rate, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The Group's leases often include options to extend and lease terms include such extended terms when the Group is reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when the Group is reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.

***Comprehensive income***

Comprehensive income is defined to include all changes in shareholders' equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220-10, *Comprehensive Income: Overall* requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

***Income taxes***

The Group accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group applies ASC 740, *Accounting for Income Taxes*, to account for uncertainty in income taxes. ASC 740 prescribes a recognition threshold a tax position is required to meet before being recognized in the financial statements. The Group has recorded unrecognized tax benefits in the other non-current liabilities in the accompanying consolidated balance sheets. The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of "Income tax expenses", in the consolidated statements of comprehensive income (loss).

The Group's estimated liability for unrecognized tax benefits and the related interest and penalties are periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Group's consolidated financial statements. Additionally, in future periods, changes in facts and circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which they occur.

***Share-based compensation***

The Group accounts for share-based compensation in accordance with ASC 718, *Compensation-Stock Compensation: Overall*.

In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees and non-employees classified as equity awards are recognized in the financial statements based on their grant date fair values.

The Group has elected to recognize share-based compensation using the accelerated method, for all share-based awards granted with graded vesting based on service conditions and for awards with performance conditions if it is probable that the performance condition will be achieved. The Group account for forfeitures as they occur, if required vesting conditions are not met and the share-based awards are forfeited, previously recognized compensation expenses relating to those awards are reversed. The Group, with the assistance of an independent third-party valuation firm determined the fair value of the share- based awards granted to employees and non-employees, if applicable. The binomial tree option pricing model was applied in determining the estimated fair value of the awards.

A change in any of the terms or conditions of share options is accounted for as a modification of share-based awards. The Group calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested share-based awards, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested share-based award, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

***Earnings* (loss) *per share***

Earnings (Loss) per share are calculated in accordance with ASC 260-10, *Earnings per Share: Overall*. Basic earnings per share are computed by dividing net income (loss)attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net income (loss), accretion of the redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries are allocated to ordinary shares based on their participating rights in the undistributed earnings as if all the earnings for the reporting period had been distributed.

Diluted earnings per share is calculated by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the vesting of restricted shares and the exercising of option using the treasury stock method. The computation of the dilutive earnings (loss) per share of Class A ordinary share assumes the conversion of Class B ordinary shares. Ordinary share equivalents are excluded from the computation of diluted loss per share if their effects are anti-dilutive.

***Contingencies***

The Group records accruals for certain of its outstanding legal proceedings or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Group evaluates the developments in legal proceedings or claims that could affect the amount of any accrual, as well as any developments that would make a loss contingency both probable and reasonably estimable. The Group discloses the amount of the accrual if it is material.

***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the "CODM"), which is the chief executive officer. Since 2020, the Group started to report its revenues and operating profits by two segments: internet business and AI and others. In 2021, the Group realigned its segments as the CODM changed how he manages and assesses the Group's segment performance. The Group's overseas advertising agency services, which assists domestic companies to launch advertisement on overseas advertising platforms, are changed from the Internet business into AI and others due to the synergies created between the Group's advertising agency services and global multi-cloud management services. The Group has retrospectively revised segment information for the comparative periods.

***Concentration of risks***

*Concentration of credit risk*

Financial instruments that are potentially subject to credit risk consist of cash and cash equivalents, restricted cash, short-term investments, available-for-sale debt securities, accounts receivable and other receivables. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk. As of December 31, 2022, the Group has RMB1,672,677 (US$242,515) in cash and cash equivalents, restricted cash and short-term investments, and 29.9% and 70.1% of which are held by financial institutions in the PRC and international financial institutions outside of the PRC, respectively. Deposits held with financial institutions were not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, the Group may be unlikely to claim its deposits back in full.

Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Under PRC law, it is generally required that a commercial bank in the PRC that holds third-party cash deposits protect the depositors' rights over principal and interests in their deposited money; PRC banks are subject to a series of risk control regulatory standards; and PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis.

Accounts receivable and other receivables are both typically unsecured and are derived from revenue earned from customers or cash receivables on behalf of publishers. The risk is mitigated by credit evaluations the Group performs on its ongoing credit evaluations of its customers' financial conditions and ongoing monitoring process of outstanding balances. The Group maintains reserves for estimated credit losses and these losses have generally been within expectations.

*Business, customer, political, social and economic risks*

The Group participates in a dynamic high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations or cash flows: changes in the overall demand for services and products; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and risks associated with the Group's ability to attract and retain employees necessary to support its growth and risks related to outbreaks of epidemics, such as COVID-19. On February 21, 2020, the Company's Google Play Store, Google AdMob, and Google AdManager accounts had been disabled, which adversely affected its ability to attract new users and generate revenue from Google.

For the year ended December 31, 2020 and 2021, no individual customer accounted for over 10% of the Group's total revenue. For the year ended December 31, 2022, approximately 24% of the Group's total revenue was derived from a third-party advertising agent of the Group.

The Group's operations could be adversely affected by significant political, economic and social uncertainties. Internet related businesses are subject to significant restrictions under current PRC laws and regulations. Specifically, foreign investors are not allowed to own more than 50% equity interests in any Internet Content Provider ("ICP") business.

*Currency convertibility risk*

A significant portion of the Group's operating activities as well as the assets and liabilities are denominated in RMB which is not freely convertible into foreign currencies. The Group's financing activities are denominated in US$. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of PRC (the "PBOC"). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

Additionally, the value of the RMB is subject to changes in central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

*Foreign currency exchange rate risk*

While the Group's reporting currency is RMB, a portion of the Group's revenues and costs are generated and denominated in US$. As a result, the Group is exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between U.S. dollar and RMB. If the US$ depreciates against the RMB, the value of the Group's US$ revenues expressed in the RMB financial statements will decline. On June 19, 2010, the People's Bank of China announced the end of the RMB's de facto peg to US$, a policy which was instituted in late 2008 in the face of the global financial crisis, to further reform the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. The appreciation of the RMB against US$ was approximately 6.27% and 2.34% for the year ended December 31, 2020 and 2021, the depreciation of the RMB against US$ was approximately 8.23% for the years ended December 31, 2022. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US$ in the future.

***Impact of COVID-19***

The COVID-19 pandemic continues to evolve. There are still uncertainties of COVID-19's future impact, and the extent of the impact will depend on a number of factors, including the duration and severity of COVID-19, possibility of a Delta and Omicron outbreak ,the development and progress of distribution of COVID-19 vaccine and other medical treatment, the potential change in user behavior, especially on internet usage due to the prolonged impact of COVID-19, the actions taken by government authorities, particularly to contain the outbreak, stimulate the economy to improve business condition, almost all of which are beyond the Group's control. As a result, certain of the Group's estimates and assumptions, including the allowance for credit losses, the valuation of certain debt and equity investments, long-term investments, and long-lived assets subject to impairment assessments, require significant judgments and carry a higher degree of variabilities and volatilities that could result in material changes to the Group's current estimates in future periods.

***Recently issued accounting pronouncements***

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. This guidance is effective for the Group for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted. The Group does not expect that the adoption of this guidance will have a material impact on its financial position, results of operations and cash flows.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions, which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Group for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. The Group is currently evaluating the impact on consolidated financial statements of adopting this guidance.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

## 3. DECONSOLIDATIONS

**Deconsolidation in 2020**

During the year ended December 31, 2020, the Group disposed certain gaming related business and one utility product in its Internet Business segment to a third party and a related party. Consequently, the Group lost control over such businesses and deconsolidated their financial results from the Group's financial statements from the date of disposal with total consideration of RMB202,275 and contingency consideration of RMB11,745. The Group recognized a total gain of RMB226,502 from these transactions in "Other income" in the consolidated statements of comprehensive income for the year ended December 31, 2020.

The Group further disposed its major gaming related business to certain investees. Consequently, the Group lost control over such businesses and deconsolidated their financial results from the Group's financial statements from the date of disposal. The Group measured shares acquired during the disposal from certain investees at fair value and recognized a total gain of RMB182,550 from the transactions in "Other income" in the consolidated statements of comprehensive income for the year ended December 31, 2020. The Group owns 36% voting rights of these investees, which might be further increased to a higher percentage, expecting 75% as the highest subject to further adjustments as share split, share combination, etc. in some of the investees, provided that the Group chooses to convert its preferred shares into ordinary shares in full or in part upon certain conversion events. As the Group's equity interests are not in-substance common stock and the investment does not have readily determinable fair value, the interests was accounted for using the measurement alternative. These equity investees will be considered related parties after deconsolidation.

The Group also disposed its partial interest in an entity operating utility related business through the sale of shares. Consequently, the Group lost control over such businesses and deconsolidated their financial results from the Group's financial statements from the date of disposal. The Group measured the remaining interests at fair value upon deconsolidation and recognized a total loss of RMB14,827 from the transactions in "Other expenses" in the consolidated statements of comprehensive income for the year ended December 31, 2020. Subsequent to the deconsolidation, the Group owns 47.1% voting rights and the remaining interests are accounted for as equity method. These equity investees will be considered related parties after deconsolidation.

The deconsolidation of these businesses did not meet the definition of a discontinued operation in accordance with ASC 205-20, Presentation of Financial Statements – Discontinued Operations ("ASC 205-20"), as the disposal did not represent a shift in the Group's strategy that has (or will have) a major effect on an entity's operations and financial results.

## 4. INVESTMENTS

***(a) Short-term investments***

As of December 31, 2021, and 2022, short-term investments included time deposits, and wealth management products in commercial banks of RMB262,813 and RMB156,182 (US$22,644), respectively.

For the years ended December 31, 2020, 2021 and 2022, the Group recognized interest income from its short-term investments of RMB23,780, RMB12,687 and RMB23,088 (US$3,347), respectively.

For the years ended December 31, 2020, 2021 and 2022 the Group recognized a credit loss on short-term investments of RMB7,096, RMB715 and reversed RMB714 (US$104) in "other expense" in the consolidated comprehensive income (loss), respectively.

***(b) Long-term investments***

The Group's long-term investments include equity investments accounted for using the measurement alternative, equity investments with readily determinable fair value, equity investments accounted for using equity method, equity method investments accounted for using fair value option and available-for-sale debt securities.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

*Equity investments accounted for using the measurement alternative*

In accordance with ASC 321, the Group elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. As of December 31, 2021 and 2022, the carrying amount of the Group's equity investments accounted for using the alternative measurement was RMB1,349,272 and RMB1,141,207 (US$165,460), including RMB942,605 and RMB1,257,876 (US$182,375) accumulated impairment, and RMB287,339 and RMB331,566 (US$48,073) accumulated upward adjustment, respectively. During the years ended December 31, 2021 and 2022, certain equity investments were remeasured based on observable price changes in orderly transactions for an identical or similar investment of the same issuer, the aggregate carrying amount of these investments was RMB154,488 and RMB106,662 (US$15,465) as of December 31, 2021 and 2022, respectively.

Total unrealized and realized gains and losses of equity securities without readily determinable fair values for the years ended December 31, 2020, 2021 and 2022 were as follows:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Gross unrealized gains (upward adjustments) | 121,555 | 82,504 | 33,346 | 4,835 |
| Gross unrealized losses (impairment) | (66,063) | (351,380) | (287,005) | (41,612) |
| **Net unrealized gains (losses) on equity securities held** | **55,492** | **(268,876)** | **(253,659)** | **(36,777)** |
| Net realized gains on equity securities sold | 482,202 | 67,105 | 32,536 | 4,717 |
| **Total net gains (losses) recognized in other income, net** | **537,694** | **(201,771)** | **(221,123)** | **(32,060)** |

In 2022, the Group: i) acquired equity interests in three equity investees for a total consideration of RMB59,581 (US$8,638). ii) disposed certain equity interest in equity investees and recognized a disposal gain of RMB32,536 (US$4,717) in "Other income".

In 2021, the Group: i) acquired equity interests in two equity investees for a total consideration of RMB7,000. ii) disposed certain equity interest in equity investees and recognized a disposal gain of RMB67,105 in "Other income".

In 2020, the Group: i) acquired equity interests in three equity investees for a total consideration of RMB20,000. ii) disposed the remaining portion of equity ownership of Bytedance and recognized a disposal gain of RMB465,877 in "Other income" (iii) recognized RMB342,433 of remaining interest in the gaming related business as result of the deconsolidation.

The Group received dividends from investees of RMB4,002, RMB2,558 and nil which were recorded in "Other income" in the consolidated comprehensive income (loss) for the years ended December 31, 2020, 2021 and 2022, respectively.

*Equity investments with readily determinable fair value*

The Group purchased equity interest of a company listed on the HK Stock Exchange in 2019 and disposed all the equity interest of the Company in 2021. Unrealized gains for the equity investments with readily determinable fair value were RMB5,327 and nil and nil, which were recorded in "Other income" in the consolidated comprehensive income (loss) for years ended December 31, 2020, 2021 and 2022, respectively. Realized gains were RMB18,488 and RMB767 and nil, which were recorded in "Other income" in the consolidated comprehensive income (loss) for years ended December 31, 2020, 2021 and 2022, respectively.

*Equity investment accounted for using fair value option*

The Group owned 49.6% equity interest of Live.me on a fully dilutive basis The fair value of the equity interest held by the Group was RMB362,235 and RMB370,162 (USD$53,668) as of December 31, 2021 and 2022, respectively. For the years ended December 2020, 2021 and 2022, the Group recorded unrealized gain of RMB857, RMB6,537 and unrealized losses of RMB25,601

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

(US$3,712) for Equity investments accounted for using fair value option in "Other income" and "Other expense" in the consolidated comprehensive income (loss), respectively.

*Equity investments accounted for using equity method*

The carrying amount of the Company's equity method investments were RMB236,552 and RMB238,591 (US$34,592) as of December 31, 2021 and 2022, respectively.

In 2022, the Group acquired an equity method investment with total consideration of RMB10,000 (US$1,450).

In 2021, the Group acquired an equity method investment with total consideration of RMB2,500.

In 2020, the Group acquired equity method investments with aggregate consideration of RMB15,040, and recognized RMB18,000 of equity method investments as result of the deconsolidation of a business in the Group's Internet Business segment.

The Group recorded its share of loss of RMB5,231, share of income of RMB60,992 and share of loss of RMB12,143 (US$1,761) from equity investments accounted for using equity method for the years ended December 31, 2020, 2021 and 2022, respectively. For the years ended December 31, 2020, 2021 and 2022, nil impairment losses were recorded for the equity investments accounted for using equity method.

None of equity method investments, including the investment that the Group elects to account for using the fair value option, was considered individually material for the years ended December 31, 2020, 2021 and 2022. The Group summarized the unaudited condensed financial information of the Group's equity method investments as a group below in accordance with Rule 4-08 of Regulation S-X:

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| **Balance sheet data:** | | | |
| Current assets | 520,871 | 463,921 | 67,262 |
| Non-current assets | 1,798,402 | 1,404,594 | 203,647 |
| Current liabilities | 182,176 | 173,776 | 25,195 |
| Non-current liabilities | 7,746 | 13,249 | 1,921 |
| Redeemable preferred shares | 906,420 | 1,059,852 | 153,664 |

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| **Operating data:** | | | | |
| Revenues | 944,974 | 925,020 | 755,532 | 109,542 |
| Gross profit | 307,531 | 407,487 | 285,140 | 41,341 |
| Operating income (loss) | 109,456 | 459,079 | (10,022) | (1,453) |
| Net income (loss) | 115,962 | 464,352 | (8,133) | (1,179) |

*Available-for-sale debt securities*

Available-for-sale debt securities in long-term investments primarily represent investments in preferred shares that are redeemable at the Group's option, which are measured at fair value.

In 2021, the Group sold part of equity interest of an investment previously accounted for using the measurement alternative and the remaining equity interest held was reclassified and accounted for as available-for-sale debt securities since the Group has a put option to require the equity investee to redeem the Group's equity interest at the Group's option. The Group remeasured the fair value

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

of the investment upon the reclassification with a remeasurement loss of RMB42,883 recorded in "Other expense" in the consolidated comprehensive income (loss).

As of December 31, 2021, and 2022, long-term available-for-sale debt securities were 46,339 and RMB42,371 (US$6,143), respectively.

For the years ended December 31, 2020, 2021 and 2022, the Group recognized fair value loss on long-term available-for-sale debt securities of nil, nil and RMB8,270 (US$1,199) respectively in other comprehensive income.

## 5. ACCOUNTS RECEIVABLE, NET

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Accounts receivable | 263,000 | 385,935 | 55,955 |
| Allowance for credit losses | (92,695) | (102,161) | (14,812) |
| **Accounts receivable, net** | **170,305** | **283,774** | **41,143** |

The movements in the allowance for credit losses were as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | USD |
| Balance as of January 1 | 100,020 | 92,695 | 13,440 |
| Amounts charged to expenses | (1,462) | 3,156 | 458 |
| Amounts written off | (3,951) | — | — |
| Foreign Exchange effect | (1,912) | 6,310 | 914 |
| **Balance as of December 31** | **92,695** | **102,161** | **14,812** |

## 6. PREPAYMENTS AND OTHER CURRENT ASSETS, NET

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Other receivables from advertisers | 397,700 | 857,135 | 124,273 |
| Advances to suppliers | 108,263 | 137,419 | 19,924 |
| Prepaid expenses | 29,592 | 25,506 | 3,698 |
| Inventories (i) | 15,415 | 16,695 | 2,421 |
| Receivable from third-party payment platform | 16,785 | 51,014 | 7,396 |
| Convertible loans | 8,240 | 10,093 | 1,463 |
| Others | 104,324 | 72,371 | 10,493 |
| Impairment of prepayments and inventory | (98,005) | (102,145) | (14,810) |
| Allowance for credit losses | (102,985) | (99,943) | (14,490) |
| **Total** | **479,329** | **968,145** | **140,368** |

(i) Inventory consists of finished goods, as of December 31, 2021 and 2022, inventories net of impairment reserve were RMB265 and RMB4,283(US$621). For the years ended December 31, 2020, 2021 and 2022, the group recorded impairment reserve of RMB23,694, RMB7,618 and nil, respectively.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The movements in the allowance for credit losses were as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | USD |
| Balance as of January 1 | 171,619 | 102,985 | 14,931 |
| Amounts charged to expenses | (696) | 19,266 | 2,793 |
| Amounts written off | (66,658) | (27,623) | (4,005) |
| Disposal of a subsidiary | (1) | — | — |
| Foreign Exchange effect | (1,279) | 5,315 | 771 |
| **Balance as of December 31** | **102,985** | **99,943** | **14,490** |

Provision for credit losses and impairment of assets for the years ended December 31, 2020, 2021 and 2022 were RMB32,999, RMB493 and RMB19,266 (US$2,793), respectively.

## 7. PROPERTY AND EQUIPMENT, NET

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Electronic equipment | 64,420 | 61,894 | 8,974 |
| AI related equipment | 152,177 | 153,580 | 22,267 |
| Leasehold improvements | 14,522 | 14,544 | 2,109 |
| Office equipment and fixtures | 20,867 | 19,532 | 2,832 |
| Motor vehicles | 4,045 | 2,922 | 424 |
| Construction in progress | — | 48 | 7 |
| Less: Accumulated depreciation | 145,529 | 185,105 | 26,838 |
| Less: Accumulated impairment | 8,708 | 8,688 | 1,260 |
| **Property and equipment, net** | **101,794** | **58,727** | **8,515** |

Depreciation expense of property and equipment for the years ended December 31, 2020, 2021 and 2022 were RMB52,137, RMB45,751 and RMB49,208 (US$7,134), respectively. The impairment recognized on property and equipment were RMB9,226, nil and nil for the years ended December 31, 2020, 2021 and 2022, respectively. The Group recorded impairment loss in "Other operating income (expense), net".

## 8. INTANGIBLE ASSETS, NET

Intangible assets and the related accumulated amortization were summarized as follows:

| | As of December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Gross Carrying value | Accumulated amortization | Accumulated impairment | Net carrying value | |
| | RMB | RMB | RMB | RMB | US$ |
| Online game licenses | 188,174 | (139,536) | (47,910) | 728 | 106 |
| Technology | 155,056 | (130,822) | (18,244) | 5,990 | 867 |
| Platform | 76,621 | (42,146) | (34,475) | — | — |
| Customer relationship | 49,237 | (46,408) | (2,829) | — | — |
| User base | 47,980 | (47,980) | — | — | — |
| Trademarks | 18,283 | (14,788) | (2,222) | 1,273 | 185 |
| Domain names | 4,965 | (4,526) | — | 439 | 64 |
| Non-compete agreements | 1,610 | (1,610) | — | — | — |
| **Total** | 541,926 | (427,816) | (105,680) | 8,430 | 1,222 |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | Gross Carrying value | Accumulated amortization | Accumulated impairment | Net carrying value |
| | RMB | RMB | RMB | RMB |
| Online game licenses | 174,252 | (128,035) | (45,331) | 886 |
| Technology | 131,664 | (106,928) | (17,631) | 7,105 |
| Platform | 70,142 | (38,582) | (31,560) | — |
| Customer relationship | 45,665 | (43,076) | (2,589) | — |
| User base | 43,954 | (43,954) | — | — |
| Trademarks | 16,974 | (13,437) | (2,114) | 1,423 |
| Domain names | 4,860 | (4,222) | — | 638 |
| Non-compete agreements | 1,610 | (1,610) | — | — |
| **Total** | **489,121** | **(379,844)** | **(99,225)** | **10,052** |

The Group recorded impairment loss in "Other operating income (expense), net". The impairment recognized on intangible assets were RMB17,746, nil and nil for the years ended December 31, 2020, 2021 and 2022, respectively.

Amortization expense of intangible assets for the years ended December 31, 2020, 2021 and 2022 were RMB16,409, RMB5,071 and RMB3,817 (US$553), respectively. Estimated amortization expense relating to the existing intangible assets with finite lives for each of next five years and thereafter is as follows:

| | For the year ending December 31, | |
|---|---|---|
| | RMB | US$ |
| 2023 | 2,438 | 353 |
| 2024 | 1,963 | 285 |
| 2025 | 1,606 | 233 |
| 2026 | 1,237 | 179 |
| 2027 | 1,049 | 152 |
| Thereafter | 137 | 20 |
| **Total** | **8,430** | **1,222** |

## 9. LEASE

The Group's operating leases mainly related to offices and employees' accommodation facilities. For leases with terms greater than 12 months, the Group records the related assets and lease liabilities at the present value of lease payments over the term. Certain leases include rental-free periods and renewal options, which are factored into the Group's determination of lease payments when appropriate. As of December 31, 2021 and 2022, the Group had no finance leases.

As of December 31, 2021 and 2022, the weighted average remaining lease term was 4.0 years and 3.4 years, respectively, and the weighted average discount rate was 4.9% and 4.9% for the Group's operating leases respectively.

Operating lease cost for the year ended December 31, 2020, 2021 and 2022, was RMB50,035, RMB20,613 and RMB16,777 (US$2,432) respectively, which excluded cost of short-term contracts. Short-term lease cost for the year ended December 31, 2020, 2021 and 2022 was RMB9,864, RMB28,488 and RMB5,062 (US$734), respectively. For the years ended December 31, 2020, 2021 and 2022, no lease cost was capitalized.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

Future lease payments under operating leases as of December 31, 2022 were as follows:

| | For the year ended December 31, | |
|---|---|---|
| | RMB | US$ |
| 2023 | 14,455 | 2,096 |
| 2024 | 12,535 | 1,817 |
| 2025 | 11,715 | 1,699 |
| 2026 | 6,277 | 910 |
| 2027 | — | — |
| **Total future lease payments** | **44,982** | **6,522** |
| Less: imputed interest | 3,508 | 509 |
| **Total lease liability balance** | **41,474** | **6,013** |

## 10. ACCRUED EXPENSES AND OTHER LIABILITIES

*Accrued expenses and other current liabilities*

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Payable to online advertising platforms as agency | 495,875 | 827,015 | 119,906 |
| Accrued operating expenses | 148,863 | 224,902 | 32,608 |
| Salary and welfare payable | 56,073 | 54,314 | 7,875 |
| Advance received in advertising agency services | 137,267 | 136,098 | 19,732 |
| Accrued advertising, marketing and promotional expenses | 51,193 | 48,389 | 7,016 |
| Deferred revenue | 156,994 | 194,542 | 28,206 |
| Operating lease liabilities current portion | 17,452 | 14,384 | 2,085 |
| Other taxes payable | 17,678 | 21,670 | 3,142 |
| Accrued bandwidth and cloud service costs | 363 | 1,062 | 154 |
| Others | 55,590 | 64,393 | 9,336 |
| **Total** | **1,137,348** | **1,586,769** | **230,060** |

*Other non-current liabilities*

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Uncertain tax position | 161,485 | 161,668 | 23,440 |
| Operating lease liabilities non-current portion | 30,677 | 27,090 | 3,928 |
| Others | 13,555 | 11,578 | 1,678 |
| **Total** | **205,717** | **200,336** | **29,046** |

## 11. SEGMENT INFORMATION

The Company presents segment information after elimination of inter-company transactions. In general, revenues, cost of revenues and operating expenses are directly attributable, or are allocated, to each segment. The Company allocates cost of revenues and operating expenses that are not directly attributable to a specific segment, such as those that support infrastructure across different segments, to different segments mainly on the basis of usage, revenue or headcount, depending on the nature of the relevant cost of revenues and operating expenses. The Company's CODM evaluates performance based on each reporting segment's revenues and operating income (loss), furthermore, the Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The following tables present the summary of each segment's revenues, operating income (loss) which were considered as segment operating performance measure, for the years ended December 31, 2020, 2021 and 2022:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| **Revenues:** | | | | |
| Internet business | 1,380,906 | 653,759 | 697,387 | 101,112 |
| AI and others | 171,739 | 130,857 | 186,679 | 27,066 |
| **Total revenues** | **1,552,645** | **784,616** | **884,066** | **128,178** |
| **Operating income (loss):** | | | | |
| Internet business | 147,070 | (14,178) | (369) | (53) |
| AI and others | (597,203) | (208,243) | (217,359) | (31,515) |
| Unallocated expenses(i) | (80,982) | (7,150) | (7,863) | (1,139) |
| **Total operating loss** | **(531,115)** | **(229,571)** | **(225,591)** | **(32,707)** |

(i) Share-based compensation were not allocated to segments.

## 12. GEOGRAPHICAL INFORMATION

The following tables set forth revenues and property and equipment, net by geographic area:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| **Revenues:** | | | | |
| PRC | 698,910 | 562,464 | 391,652 | 56,784 |
| Overseas (i) | 853,735 | 222,152 | 492,414 | 71,394 |
| United States | 437,262 | 32,646 | 22,437 | 3,253 |
| HongKong | 83,026 | 18,727 | 262,095 | 38,000 |
| Japan | 138,918 | 111,481 | 96,413 | 13,979 |
| Rest of the world (ii) | 194,529 | 59,298 | 111,469 | 16,162 |

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| **Property and equipment, net:** | | | |
| PRC | 99,133 | 55,629 | 8,066 |
| Non-PRC | 2,661 | 3,098 | 449 |

(i) Overseas revenue refers to revenues generated by the Group's operating legal entities incorporated outside China. Such revenues are primarily attributable to customers located outside China based on customers' registered addresses.

(ii) No individual country or area, other than disclosed above, exceeded 10% of total revenues for the years ended December 31, 2020, 2021 and 2022, respectively.

## 13. INCOME TAXES

The Company is incorporated in the Cayman Islands and conducts its primary business operations through its subsidiaries, VIEs and subsidiaries of VIEs in the PRC. It also has subsidiaries mainly in Hong Kong, Singapore and Japan.

***Cayman Islands and BVI***

Under the current laws of the Cayman Islands and BVI, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands BVI withholding tax will be imposed.

***Hong Kong***

The Company's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax rate at 16.5%. For the year ended December 31, 2020, 2021 and 2022, the first HK$2 million of profits earned by one of the Company's subsidiaries incorporated in Hong Kong is taxed at half the current tax rate (i.e. 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate, and foreign-derived income is exempted from income tax. There are no withholding taxes in Hong Kong on remittance of dividends.

***Singapore***

Subsidiaries in Singapore are subject to Singapore corporate income tax rate of 17%.

***Japan***

Kingsoft Japan is incorporated in Japan with paid-in capital in excess of Japanese Yen ("JPY") 100 million and is subject to a national corporate income tax rate of 23.4% and 23.2% since April 1, 2016 and April 1, 2018. The subsidiary of Kingsoft Japan with paid-in capital of no more than JPY100 million is taxed at a tax rate of 15% on first JPY8 million and at 23.2% on the portion over JPY8 million from April 1, 2018. Local income taxes, which are local inhabitant tax and enterprise tax, are also imposed on corporate income.

***PRC***

The Company's subsidiaries in the PRC and the VIEs are subject to the statutory rate of 25%, unless otherwise specified, in accordance with the Enterprise Income Tax law (the "EIT Law"), which was effective since January 1, 2008.

As qualified High New Technology Enterprise ("HNTE"), Beijing Security was entitled to the preferential income tax rate of 15% from 2020 to 2021. Beijing Kingsoft Cheetah Technology Co., Ltd. is entitled to the preferential income tax rate of 15% from 2022 to 2024.

In accordance with the requirements of Cai Shui [2014] No. 26 and Cai Shui [2022] No. 19, enterprises located in the Heng Qin New Area of Zhuhai City, which qualify as encouraged industrial enterprises and meet the substantive operational requirements, are subject to a tax rate of 15%.

Pursuant to Ministry of Finance and State Administration of Taxation Announcement [2019] No.68, new Software development enterprise are each entitled to a tax holiday of two-year full EIT exemption followed by three-year 50% EIT reduction ("2+3 tax holiday") starting from their respective first profit-making year prior to December 31, 2018. Zhuhai Baoqu Technology Co., Ltd. being qualifying as a new software development enterprise in the first year is entitled to a tax holiday of 50% EIT exemption in 2020.

Without the tax holidays and preferential tax, the Group's income tax expenses would have decreased by RMB18,671, RMB44,909 and RMB2,232 (US$324) for the years ended December 31, 2020, 2021 and 2022, respectively. The impacts of the tax holidays and preferential tax rates were a decrease in the loss per share of RMB0.0133, RMB0.0314 and RMB0.0015 (US$0.0002), for the year ended December 31, 2020, 2021 and 2022, respectively.

Under the EIT Law, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC dividend withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaties with certain jurisdictions.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

Income (loss) before income taxes consists of:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| PRC | (325,686) | (490,025) | (261,306) | (37,886) |
| Non-PRC | 833,933 | 150,454 | (284,474) | (41,244) |
| **Total** | **508,247** | **(339,571)** | **(545,780)** | **(79,130)** |

The current and deferred portions of income tax expenses included in the consolidated statements of comprehensive income (loss) are as follows:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Current income tax expenses | 106,718 | 12,713 | (12,208) | (1,770) |
| Deferred income tax (benefits) expenses | (9,628) | 920 | (12,881) | (1,868) |
| **Income tax expenses (benefits)** | **97,090** | **13,633** | **(25,089)** | **(3,638)** |

A reconciliation of the differences between the statutory tax rate and the effective tax rate for enterprise income tax is as follows:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Income (Loss) before income tax | 508,247 | (339,571) | (545,780) | (79,130) |
| Income tax expenses (benefits) computed at the PRC statutory tax rate of 25% | 127,062 | (84,894) | (136,445) | (19,783) |
| Effect of different tax rates in different jurisdictions | (150,466) | (16,764) | 49,280 | 7,145 |
| Effect of tax holiday and preferential tax rates | 18,671 | 44,909 | 4,908 | 712 |
| Research and development super-deduction | (46,153) | (12,660) | (9,361) | (1,357) |
| Non-taxable income(i) | (44,177) | (25,713) | (2,809) | (407) |
| Non-deductible expenses(ii) | 21,681 | 8,614 | 1,783 | 259 |
| Effect of change in tax rate | — | (12,327) | (106,824) | (15,488) |
| Outside basis difference on investment | (17,482) | 63 | (3,800) | (551) |
| Changes in uncertain tax position | 112,590 | (9,453) | (11,903) | (1,726) |
| Withholding tax and others | (15,320) | 27,977 | (4,345) | (631) |
| Changes in valuation allowance | 90,684 | 93,881 | 194,427 | 28,189 |
| Income tax expenses (benefits) | **97,090** | **13,633** | **(25,089)** | **(3,638)** |

(i) Non-taxable income mainly consists of gains on disposal of subsidiaries and long-term investments that are not subject to tax under the tax laws of different jurisdictions.

(ii) Non-deductible expenses mainly consist of share-based compensation expenses, entertainments and other expenses that are not allowed to be deducted under the tax laws of different jurisdictions.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

Deferred taxes were measured using the enacted tax rates for the periods in which the temporary differences are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax balances as of December 31, 2021 and 2022 are as follows:

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| **Deferred tax assets:** | | | |
| Tax losses carry forward | 316,845 | 411,544 | 59,668 |
| Equity investment loss | 73,035 | 157,319 | 22,809 |
| Allowance for credit losses | 28,476 | 36,089 | 5,232 |
| Intangible assets and accrued expenses | 8,953 | 8,687 | 1,259 |
| Share-based compensation | 1,654 | 263 | 38 |
| Fixed assets depreciation | 235 | — | — |
| Intercompany transfer of long-lived assets | 1,181 | 681 | 99 |
| Others | 9,562 | 32,448 | 4,706 |
| Valuation allowance | (422,837) | (617,264) | (89,495) |
| **Deferred tax assets** | **17,104** | **29,767** | **4,316** |
| **Deferred tax liabilities:** | | | |
| Outside basis difference on investment | 54,893 | 55,770 | 8,086 |
| Equity method investment and unrealized gains | 6,322 | 1,813 | 263 |
| Right-of-use asset and others | 69 | 8,617 | 1,249 |
| **Deferred tax liabilities** | **61,284** | **66,200** | **9,598** |

| | As of December 31, 2022 | |
|---|---|---|
| | RMB | US$ |
| **Classification in the consolidated balance sheets:** | | |
| Deferred tax assets | 19,337 | 2,804 |
| Deferred tax liabilities | 55,770 | 8,086 |

The Group operates through several subsidiaries, VIEs and subsidiaries of VIEs and the valuation allowance is considered for each subsidiary, VIE and subsidiary of VIE on an individual basis. As of December 31, 2021, and 2022, the Group's total deferred tax assets before valuation allowances were RMB439,941 and RMB647,031 (US$93,811), respectively. As of December 31, 2021 and 2022, the Group recorded valuation allowances of RMB422,837 and RMB617,264 (US$89,495), respectively, on its deferred tax assets that are sufficient to reduce the deferred tax assets to the amounts that are more-likely-than-not to be realized.

Undistributed earnings of certain of the Company's PRC subsidiaries amounted to approximately RMB741,272 and RMB795,098 (US$115,278) on December 31, 2021 and 2022, respectively. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for PRC withholding tax has been provided thereon. Upon repatriation of those earnings in the form of dividends, the Group would be subject to PRC withholding tax at 10%. The PRC withholding tax rate could be reduced to 5% should the treaty benefit between Hong Kong and the PRC be applicable. As such, the amount of unrecognized deferred income tax liabilities is approximately ranging from RMB37,064 to RMB74,127 and RMB39,755 (US$5,764) to RMB79,510 (US$11,528) as of December 31, 2021 and 2022, respectively.

As of December 31, 2022, the Group had taxable losses of approximately RMB2,184,513 (US$316,725) primarily deriving from entities in the PRC, Hong Kong and Singapore, which can be carried forward per tax regulation to offset future net profit for income tax purposes. The PRC taxable loss RMB1,850,603 (US$268,312) will expire from 2023 to 2032 and Hong Kong, Singapore and others taxable loss RMB333,910 (US$48,412) can be carried forward without an expiration date.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

***Unrecognized tax benefits***

As of December 31, 2021 and 2022, the Group had unrecognized tax benefits of RMB177,526 and RMB172,557 (US$25,018), of which RMB26,657 and RMB17,745 (US$2,573), respectively, were deducted against the deferred tax assets on tax losses carry forward, and the remaining amounts of RMB150,869 and RMB154,812 (US$22,445), respectively were presented in the other non-current liabilities in the consolidated balance sheets. The Group's unrecognized tax benefits for the years ended December 31, 2021 and 2022 were primarily related to the tax-deduction of share-based compensation expenses and disposal of long-term investments. It is possible that the amount of unrecognized benefits will change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment. As of December 31, 2021, and 2022, there were RMB150,869 and RMB154,812 (US$22,445) of unrecognized tax benefits that if recognized would impact the annual effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

| | 2021 | 2022 | |
|---|---|---|---|
| | RMB | RMB | US$ |
| Balance at January 1 | 179,492 | 177,526 | 25,739 |
| Additions based on tax positions related to current year | 2,040 | 588 | 85 |
| Reversal based on tax positions related to prior years | (4,006) | (17,643) | (2,558) |
| Foreign exchange translation adjustments | — | 12,086 | 1,752 |
| Balance at December 31 | **177,526** | **172,557** | **25,018** |

The Group recognizes accrued interest related to unrecognized tax benefits in income tax expenses. As of December 31,2021 and 2022, the Group had accrued interest of RMB10,616 and RMB6,856 (US$994) respectively. For the year ended December 31, 2020, 2021 and 2022, the Group reversed RMB9,099, RMB1,449, and RMB3,760 (US$545) in interest, respectively. The Group did not record any penalties related to unrecognized tax benefits.

As of December 31, 2022, the tax years ended December 31, 2017 through 2022 for the Group's subsidiaries in the PRC and the VIEs are generally subject to examination by the PRC tax authorities. The tax years ended December 31, 2017 through 2022 for the Group's subsidiary in the Singapore is generally subject to examination by the Singapore tax authorities. The tax years ended December 31, 2016 through 2022 for the Group's subsidiaries in Hong Kong are generally subject to examination by the Hong Kong tax authorities.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

## 14. RELATED PARTY TRANSACTIONS

a. Principal related parties

| Name of related parties | Relationship with the Group |
|---|---|
| Tencent and its subsidiaries ("Tencent Group") | Entities controlled by a shareholder of the Group |
| Kingsoft and its subsidiaries ("Kingsoft Group") | Entities controlled by a shareholder of the Group |
| OrionStar and its subsidiaries ("OrionStar Group") | Entities controlled by a director of the Group |
| Shenzhen Feipai Technology Co., Ltd. ("Shenzhen Feipai") | Entities influenced materially by the Group |
| Pixiu Inc. and its subsidiaries ("Pixiu Group") | Entities influenced materially by the Group |
| Live.me and its subsidiaries ("Live.me Group") | Entities influenced materially by the Group |

b. In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material related party transactions for the years ended December 31, 2020, 2021 and 2022:

| | | For the year ended December 31, | | | |
|---|---|---|---|---|---|
| | | 2020 | 2021 | 2022 | |
| | | RMB | RMB | RMB | US$ |
| ***Services received from:*** | **(i)** | | | | |
| Kingsoft Group | | 23,897 | 19,139 | 15,236 | 2,209 |
| Tencent Group | | 51,147 | 32,594 | 20,534 | 2,977 |
| OrionStar Group | | 10,793 | 3,756 | 347 | 50 |
| ***Services provided to:*** | (ii) | | | | |
| Tencent Group | | 73,462 | 40,333 | 12,479 | 1,809 |
| OrionStar Group | | 4,207 | 3,862 | 2,610 | 378 |
| Pixiu Group | | 2,033 | 9,614 | 433 | 63 |
| Live.me Group | | 27,376 | 11,718 | 33,305 | 4,829 |
| ***Purchase of products and equipment:*** | | | | | |
| OrionStar Group | (iii) | 87,090 | 40,290 | 1,130 | 164 |
| ***Loans and investments provided to:*** | | | | | |
| OrionStar Group | (iv) | — | 100,000 | — | — |
| Pixiu Group | (v) | 7,085 | — | 14,181 | 2,056 |
| Shenzhen Feipai | (vi) | 2,500 | — | — | — |
| ***Selling business to:*** | | | | | |
| Live.me Group | | 11,060 | — | — | — |

(i) The Group entered into agreements with Kingsoft Group pursuant to which Kingsoft Group provided services including cloud services, promotion, technical support and other services to the Group; The Group entered into agreements with Tencent Group pursuant to which Tencent Group provided promotion and cloud services to the Group; The Group entered into agreements with OrionStar Group pursuant to which OrionStar Group provided technical support services to the Group.

(ii) The Group entered into agreement with Tencent Group to provide online marketing services to Tencent Group; The Group entered into agreement with Live.me, Pixiu Group and OrionStar Group to provide technical support, multi-cloud management and other services.

(iii) The Group entered into distribution and several robotics purchase agreements with OrionStar Group, pursuant to which the Group purchased robotics products from OrionStar Group.

(iv) In 2021, the Group provided a convertible loan of RMB100,000 at an annual simple interest rate of 8% with 2 years maturity term to Beijing OrionStar. The Group does not have right to convert all or part of the principal and accumulated unpaid interest into the Beijing OrionStar's equity interest until a qualified equity financing occurs or upon maturity. The conversion features were considered as embedded derivatives that do not meet the criteria to be bifurcated and were accounted for together with the loan receivable.

(v) The Group entered into loan agreements with Pixiu Group including a 3-year capital allocation loan which the original expiration date was January 2022 and the remaining principal balance was revolved to January 2024 in 2021.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

(vi) The Group entered into convertible loans agreements with Shenzhen Feipai which were fully impaired in 2020. Except for the above-mentioned related parties, the Group also provided investments to several investees with investment agreements.

c. The balances between the Group and its related parties as of December 31, 2021 and 2022 are listed below:

*(1) Amount due from related parties, net*

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| Live.me Group | 7,334 | 13,129 | 1,904 |
| Tencent Group | 15,995 | 4,529 | 657 |
| Pixiu Group | 26,625 | 25,104 | 3,640 |
| OrionStar Group(i) | 137,157 | 134,548 | 19,508 |
| Kingsoft Group | 8,164 | 5,019 | 728 |
| Other related parties (ii) | 17,393 | 20,610 | 2,987 |
| **Total** | **212,668** | **202,939** | **29,424** |

(i) As of December 31, 2021 and 2022, the balances of due from OrionStar Group primarily included convertible loan of RMB100,000 and prepayments made for the purchase of robotics products.

(ii) As of December 31, 2021 and 2022, the amount of due from other related parties included convertible loans of RMB21,000 to a related party, which has been fully impaired as of December 31, 2021 and 2022.

Non-trading indebtedness balances with related parties included convertible and other loans of RMB110,289 and RMB113,012 (US$16,385) as of December 31, 2021 and 2022, respectively. The balance of RMB110,073 and RMB3,840 (US$557) were long-term nature as of December 31, 2021 and 2022, respectively.

The movements in the allowance for credit losses were as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | USD |
| Balance as of January 1 | 46,204 | 58,786 | 8,523 |
| Amounts charged to expenses | 15,563 | 7,846 | 1,138 |
| Amounts written off | (2,917) | — | — |
| Foreign Exchange effect | (64) | 457 | 66 |
| **Total** | **58,786** | **67,089** | **9,727** |

*(2) Amount due to related parties*

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| OrionStar Group | 811 | 799 | 116 |
| Tencent Group | 24,944 | 15,132 | 2,194 |
| Live.me Group | 1,431 | 10 | 1 |
| Kingsoft Group | 6,372 | 3,969 | 575 |
| Other related parties | 4,202 | 3,719 | 540 |
| **Total** | **37,760** | **23,629** | **3,426** |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

## 15. SHARE-BASED COMPENSATION

***2014 Restricted Shares Plan***

On April 22 and April 24, 2014, the board of directors and the shareholders of the Company approved to adopt a restricted shares plan (the "2014 Restricted Shares Plan"), respectively. Under the 2014 Restricted Shares Plan, the Company is authorized to issue up to 122,545,665 Class A ordinary shares (excluding shares which have lapsed or have been forfeited) pursuant to the grant of restricted shares and restricted share units thereunder. Unless terminated earlier, the 2014 Restricted Shares Plan will terminate automatically in 2024. The share awards granted under 2014 Restricted Shares Plan had vesting terms of no longer than 5 years from the date of grant. Except for service conditions, there were no other vesting conditions for all the awards under 2014 Restricted Shares Plan. The following table summarizes the Company's option activity under the 2014 Restricted Shares Plan during the years ended December 31, 2020, 2021 and 2022, respectively:

| | Number of shares | Weighted Average Exercise Price (US$) | Weighted Average Grant Date Fair Value (US$) | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (US$) |
|---|---|---|---|---|---|
| Outstanding at January 1, 2020 | 6,527,504 | 0.34 | 1.50 | 4.31 | 150 |
| Exercised | (1,001,674) | 0.34 | 1.91 | | |
| Modified in June 2020 | (5,525,830) | 0.34 | 1.42 | | |
| Outstanding at December 31, 2020 | — | | | | |
| Exercised | — | | | | |
| Outstanding at December 31, 2021 and 2022 | — | | | | |
| Vested and expected to vest at December 31, 2021 and 2022 | — | | | | |
| Exercisable as at December 31, 2021 and 2022 | — | | | | |

On June 23, 2020, the Company's compensation committee approved to reduce the exercise price to nil for all vested options granted by the Company under the 2014 Restricted Shares Plan. Accordingly, the awards were considered in-substance restricted shares for all grantees. Such exercise price cancellation was accounted by the Company as a share option modification and required remeasurement at the time of the modification. The total incremental cost as a result of the modification were RMB4,770 in 2020.

The following table summarizes the restricted shares activity pursuant to the 2014 Restricted Shares Plan for the years ended December 31, 2020, 2021 and 2022, respectively:

| | Number of shares | Weighted average grant date fair value (US$) after modification |
|---|---|---|
| Unvested at January 1, 2020 | 16,448,965 | 0.92 |
| Modified in June 2020 | 5,525,830 | 1.62 |
| Vested | (12,272,973) | 1.32 |
| Forfeited | (6,061,820) | 0.77 |
| Unvested at December 31, 2020 | 3,640,002 | 0.88 |
| Granted | 5,994,400 | 0.14 |
| Vested | (2,016,463) | 0.78 |
| Forfeited | (1,055,299) | 1.00 |
| Unvested at December 31, 2021 | 6,562,640 | 0.22 |
| Granted | — | — |
| Vested | (2,160,940) | 0.36 |
| Forfeited | (373,150) | 0.26 |
| Unvested at December 31, 2022 | 4,028,550 | 0.14 |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The fair value of the restricted shares was determined based on the price of the Company's publicly traded ADSs.

As of December 31, 2022, the total estimated unrecognized share-based compensation expense related to restricted shares awarded amounted to RMB2,257 (US$327), and is expected to be recognized over a weighted-average period of 2.0 years.

The total fair value of vested restricted shares on their respective vesting dates during the years ended December 31, 2020, 2021 and 2022 were RMB18,263, RMB2,696 and RMB933 (US$135), respectively.

***2013 Incentive Scheme***

On January 2, 2014, the Company adopted an equity incentive scheme (the "2013 Incentive Scheme"). The 2013 Incentive Scheme provides for the grant of ordinary shares, restricted shares, share options and share appreciation rights to the employees, directors or non-employee consultants of the Company. The maximum number of the Company's ordinary shares which may be issued under the 2013 Incentive Scheme is 64,497,718 (excluding shares which have lapsed or have been forfeited). The 2013 Incentive Scheme is valid and effective for a term of ten years commencing from its adoption. Except for service conditions, there were no other vesting conditions for all the awards under 2013 Incentive Scheme. As of December 31, 2022, all the share awards granted under 2013 Incentive Scheme had vesting terms of no longer than 5 years from the date of grant.

The following table summarizes the Group's options activity under the 2013 Incentive Scheme during the years ended December 31, 2020, 2021 and 2022, respectively:

| | Number of shares | Weighted Average Exercise Price (US$) | Weighted Average Grant Date Fair Value (US$) | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value (US$) |
|---|---|---|---|---|---|
| Outstanding at January 1, 2020 | 33,273,025 | 0.34 | 1.13 | 4.01 | 765 |
| Exercised | (4,852,510) | 0.34 | 1.10 | | |
| Modified in June 2020 | (28,420,515) | 0.34 | 1.13 | | |
| Outstanding at December 31, 2020 | — | — | — | — | — |
| Exercised | — | — | — | — | — |
| Outstanding at December 31, 2021 and 2022 | | | | | |
| Vested and expected to vest at December 31, 2021and 2022 | — | | | | |
| Exercisable as at December 31, 2021 and 2022 | — | | | | |

On June 23, 2020, the Company's compensation committee approved to cancel the exercise price for all vested options previously granted by the Company under the 2013 Incentive Scheme Plan. Such exercise price cancellation was accounted by the Company as a share option modification and required remeasurement at the time of the modification. The total incremental cost as a result of the modification were RMB24,860 in 2020.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The following table summarizes the restricted shares activity pursuant to the 2013 Incentive Scheme for the years ended December 31, 2020, 2021 and 2022, respectively:

| | Number of shares | Weighted average grant date fair value (US$) after modification |
|---|---|---|
| Outstanding at January 1, 2020 | 4,909,057 | 1.06 |
| Modified in June 2020 | 28,420,515 | 1.33 |
| Granted | 1,600,000 | 0.21 |
| Vested | (30,310,465) | 1.33 |
| Forfeited | (364,377) | 0.90 |
| Unvested at December 31, 2020 | 4,254,730 | 0.64 |
| Granted | 5,773,520 | 0.17 |
| Vested | (1,416,898) | 0.79 |
| Forfeited | (1,014,882) | 0.81 |
| Unvested at December 31, 2021 | 7,596,470 | 0.23 |
| Granted | 469,490 | 0.08 |
| Vested | (2,350,790) | 0.27 |
| Forfeited | (628,180) | 0.50 |
| Unvested at December 31, 2022 | 5,086,990 | 0.17 |

The fair value of the restricted shares was determined based on the price of the Company's publicly traded ADSs.

As of December 31, 2022, the total estimated unrecognized share-based compensation expense related to restricted shares awarded amounted to RMB2,773 (US$402), and is expected to be recognized over a weighted-average period of 1.9 years.

The total fair value of vested restricted shares on their respective vesting dates for the years ended December 31, 2020, 2021 and 2022 were RMB46,906, RMB2,199 and RMB1,409 (US$204).

***2011 Share Award Scheme***

On May 26, 2011, the board of directors of the Company approved and adopted the 2011 Share Award Scheme, as amended in September 2013 and November 2016, to recognize the contributions of certain employees and to give incentives thereto in order to retain them for the continued operation and development of the Group. Under the 2011 Share Award Scheme, the board of directors may grant restricted shares to its employees and directors to receive an aggregate of no more than 100,000,000 ordinary shares of the Company (excluding shares which have lapsed or have been forfeited) as at the date of such grant. Unless early terminated by the board of directors of the Company, the 2011 Share Award Scheme is valid and effective for a term of ten years commencing from its adoption and terminated upon its expiration in May 2021. Under the 2011 Share Award Scheme, grantees have no dividend or voting rights until the restricted shares are vested.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The following table summarizes the restricted shares activity pursuant to the 2011 Share Award Scheme for the years ended December 31, 2020, 2021 and 2022, respectively:

| | Number of shares | Weighted average grant date fair value (US$) |
|---|---|---|
| Unvested at January 1, 2020 | 4,066,803 | 0.69 |
| Granted | 596,920 | 0.21 |
| Vested | (1,170,395) | 0.68 |
| Forfeited | (1,549,603) | 0.57 |
| Unvested at December 31, 2020 | 1,943,725 | 0.64 |
| Granted | 1,596,100 | 0.26 |
| Vested | (1,687,405) | 0.36 |
| Forfeited | (1,643,470) | 0.59 |
| Unvested at December 31, 2021 | 208,950 | 0.39 |
| Granted | — | — |
| Vested | (121,775) | 0.49 |
| Forfeited | — | — |
| Unvested at December 31, 2022 | 87,175 | 0.26 |

The fair value of the restricted shares was determined based on the price of the Company's publicly traded ADSs.

As of December 31, 2022, the total estimated unrecognized share-based compensation expense related to restricted shares awarded amounted to RMB38 (US$5), and is expected to be recognized over a weighted-average period of 0.9 years.

The total fair value of vested restricted shares on their respective vesting dates for the years ended December 31, 2020, 2021 and 2022 were RMB1,697, RMB2,154 and RMB39 (US$6), respectively.

***Share-based Awards of subsidiaries***

Subsidiaries of the Group also have equity incentive plans granting share-based awards.

The grant date fair value of each share-based award is estimated on the date of grant using the binomial tree option pricing model with the following assumptions used for years presented:

| | Year ended December 31, 2020 | Year ended December 31, 2021 | Year ended December 31, 2022 |
|---|---|---|---|
| Fair value of ordinary share (US$) | 0.09 | 4.34~4.87 | — |
| Risk-free interest rates | 0.66% | 0.07% | — |
| Expected volatility range | 59.2% | 52.02% | — |
| Expected dividend yield | 0.82% | — | — |
| Fair value per option granted (US$) | 0.02 | 2.44~2.56 | — |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The following table summarizes the share-based compensation expenses of subsidiaries' share-based awards recognized by the Group:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Cost of revenues | 728 | 858 | 469 | 68 |
| Research and development | 20,376 | 7,400 | (675) | (98) |
| Selling and marketing | 996 | 342 | 209 | 30 |
| General and administrative | 11,879 | 361 | 2,225 | 323 |
| **Total** | **33,979** | **8,961** | **2,228** | **323** |

As of December 31, 2022, there was RMB2,057 (US$298) unrecognized share-based compensation expenses related to incentive plans, which is expected to be recognized over a vesting period of 1.1 years.

Total share-based compensation expenses recorded by the Group are as follows:

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Cost of revenues | 1,044 | 1,027 | 686 | 99 |
| Research and development | 29,091 | 5,996 | 1,580 | 229 |
| Selling and marketing | (1,087) | 1,339 | 1,899 | 275 |
| General and administrative | 51,934 | (1,212) | 3,698 | 536 |
| **Total** | **80,982** | **7,150** | **7,863** | **1,139** |

## 16. COMMITMENT AND CONTINGENCIES

***Commitment for cloud services***

Future minimum payments under non-cancelable agreements for cloud services consist of the following as of December 31, 2022.

| | Total | Less than 1 Year | 1-3 Years | More than 3 Years |
|---|---|---|---|---|
| Purchase obligations | 29,313 | 29,313 | — | — |

***Capital commitment***

As of December 31, 2022, commitments for the purchase of fixed assets are immaterial.

***Litigation and investigation***

The Staff of the Division of Enforcement of the SEC conducted an investigation relating to the Group's disclosures for fiscal year 2015 regarding its relationship with one of its advertising business partners. The SEC investigation also relates to Rule 10b5-1 trading plans entered into by certain current and former officers and directors of the Group and sales of the Group's ADS under those plans in 2015 and 2016. On September 21, 2022, the Group's Chairman of the Board and Chief Executive Officer, Mr. Sheng Fu, reached a resolution with the SEC, the Group were not a party to the settlement. The SEC investigation is now closed, the Group has been informed that SEC had concluded its investigation with respect to the Group and did not intend to recommend an enforcement action.

Except for the investigation mentioned above, the Group is involved in several proceedings as of December 31, 2022 which are either immaterial, or the Group does not believe that a reasonable possibility of loss has been incurred as the proceedings are in the early stages, and/or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made. However, the Group believes that such matters, individually and in the aggregate, when finally resolved, are reasonably likely not to have a material adverse effect on the Group's consolidated results of operations, financial position and cash flows.

## 17. SHAREHOLDERS' EQUITY

***Ordinary shares***

Immediately following the IPO, the Memorandum and Articles of Association were amended and restated such that the authorized share capital of the Company was reclassified and redesignated into 10,000,000,000 shares comprising of (i) 7,600,000,000 Class A ordinary shares; (ii) 1,400,000,000 Class B ordinary shares; and (iii) 1,000,000,000 reserved shares at par value of US$0.000025 per share. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and is not convertible into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof. Upon any transfer of Class B ordinary shares by the holder thereof to any person or entity that is not an affiliate of such holder, such Class B ordinary shares would be automatically converted into an equal number of Class A ordinary shares. There were nil Class B ordinary shares transferred to Class A ordinary shares in the years ended December 31, 2021 and 2022.

As of December 31, 2021, there were 487,234,522 and 945,496,827 Class A and Class B ordinary shares outstanding. As of December 31, 2022, there were 479,458,004 and 970,015,685 Class A and Class B ordinary shares outstanding. The vested restricted shares but have not physically been issued are considered outstanding as each period end and included in the calculation of basic (loss) earning per share.

***Retained earnings/(Accumulated losses)***

In accordance with the PRC Regulations on Enterprises with Foreign Investment and their articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory common reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. A domestic enterprise is also required to provide a statutory public welfare fund and a discretionary surplus reserve, at the discretion of the board of directors, from the profits determined in accordance with the enterprise's PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| PRC statutory reserve funds | 57,616 | 60,847 | 8,822 |
| Unreserved retained earnings /(losses) | 447,469 | (70,271) | (10,188) |
| **Total retained earnings (accumulated losses)** | **505,085** | **(9,424)** | **(1,366)** |

Under PRC laws and regulations, there are restrictions on the Company's subsidiaries in the PRC and VIEs with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. Such restriction amounted to RMB1,401,137 (US$203,146) as of December 31, 2022.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

Furthermore, cash transfers from the Company's subsidiaries in the PRC to its subsidiaries outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the subsidiaries in the PRC and VIEs to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

***Accumulated other comprehensive income***

The components of accumulated other comprehensive income were as follows:

| | Foreign currency translation adjustment | Unrealized gains on available-for sale Securities | Total |
|---|---|---|---|
| | RMB | RMB | RMB |
| Balance at January 1, 2020 | 330,610 | 7,163 | 337,773 |
| Other comprehensive loss before reclassification | (167,476) | (7,251) | (174,727) |
| Other comprehensive income attribute to noncontrolling interests | 294 | — | 294 |
| Balance at December 31, 2020 | 163,428 | (88) | 163,340 |
| Other comprehensive loss before reclassification | (75,536) | — | (75,536) |
| Other comprehensive income attribute to noncontrolling interests | 458 | — | 458 |
| Balance at December 31, 2021 | 88,350 | (88) | 88,262 |
| Other comprehensive loss before reclassification | 263,371 | — | 263,371 |
| Other comprehensive income attribute to noncontrolling interests | 2,315 | — | 2,315 |
| Balance at December 31, 2022 | 354,036 | (88) | 353,948 |
| Balance at December 31, 2022, in US$ | 51,330 | (12) | 51,318 |

There was nil tax expense or benefit recognized related to the changes of each component of accumulated other comprehensive income for the years ended December 31, 2020, 2021 and 2022.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

## 18. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings(loss) per share for each of the years presented are calculated as follows, the effect of share options and restricted share units were excluded from the computation of diluted net loss per share for the years ended December 31, 2021 and 2022, as its effect would be anti-dilutive:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | | | |
| | Ordinary shares | Ordinary shares | Class A Ordinary shares | Class A Ordinary shares | Class B Ordinary shares | Class B Ordinary shares |
| | RMB | RMB | RMB | US$ | RMB | US$ |
| **Earnings (loss) per share—basic** | | | | | | |
| **Numerator:** | | | | | | |
| Net income (loss) attributable to Cheetah Mobile Inc. | 416,732 | (351,126) | (170,473) | (24,716) | (343,002) | (49,731) |
| Dilution effect arising from dividends declared on share awards of consolidated subsidiaries | (10,669) | (2,009) | (2,893) | (419) | (5,822) | (844) |
| Net income (loss) attributable to Cheetah Mobile Inc. after accretion of redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries | 406,063 | (353,135) | (173,366) | (25,135) | (348,824) | (50,575) |
| ***Denominator:*** | | | | | | |
| Weighted average number of ordinary shares outstanding | 1,402,509,386 | 1,430,052,602 | 479,301,343 | 479,301,343 | 964,380,962 | 964,380,962 |
| Earnings(Loss) per share—basic | 0.2895 | (0.2469) | (0.3617) | (0.0524) | (0.3617) | (0.0524) |
| **Earnings(Loss) per share—diluted** | | | | | | |
| **Numerator:** | | | | | | |
| Net income (loss) attributable to Cheetah Mobile Inc. after accretion of redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries | 406,063 | (353,135) | (173,366) | (25,135) | (348,824) | (50,575) |
| Dilution effect arising from share-based awards issued by subsidiaries | — | — | (97) | (14) | (194) | (28) |
| Reallocation of net income as a result of conversion of Class B into Class A ordinary shares | — | — | (349,018) | (50,603) | — | — |
| Net income (loss) attributable to ordinary shareholders | 406,063 | (353,135) | (522,481) | (75,752) | (349,018) | (50,603) |
| ***Denominator:*** | | | | | | |
| Weighted average ordinary shares outstanding | 1,402,509,386 | 1,430,052,602 | 479,301,343 | 479,301,343 | 964,380,962 | 964,380,962 |
| Dilutive effect of Share-based awards | 18,558,520 | — | — | — | — | — |
| Conversion of Class B into Class A ordinary shares | — | — | 964,380,962 | 964,380,962 | — | — |
| Denominator used for earnings (loss) per share | 1,421,067,906 | 1,430,052,602 | 1,443,682,305 | 1,443,682,305 | 964,380,962 | 964,380,962 |
| Earnings (Loss) per share—diluted | 0.2857 | (0.2469) | (0.3619) | (0.0525) | (0.3619) | (0.0525) |
| **Earnings(Loss) per ADS:** | | | | | | |
| Denominator used for earnings (loss) per ADS—basic | 28,050,188 | 28,601,052 | 28,873,646 | 28,873,646 | | |
| Denominator used for earnings (loss) per ADS—diluted | 28,421,358 | 28,601,052 | 28,873,646 | 28,873,646 | | |
| Earnings (Loss) per ADS—basic | 14.4763 | (12.3469) | (18.0854) | (2.6221) | | |
| Earnings (Loss) per ADS—diluted | 14.2872 | (12.3469) | (18.0954) | (2.6236) | | |

Effective September 2, 2022, the Company effected a change of the ratio of the ADS to its Class A ordinary shares from one ADS representing ten Class A ordinary share to one ADS representing fifty Class A ordinary shares. The change in the ratio of the ADS to the Company's Class A ordinary shares had no impact on its underlying Class A ordinary shares, and no Class A ordinary shares were issued or cancelled in connection with the change in the ratio of the ADS to its Class A ordinary shares. The number of ADSs as the denominator used for earnings(loss) per ADS and earnings(loss) per ADS amount have been retroactively adjusted to reflect the changes in ratio for all periods presented.

## 19. EMPLOYEE BENEFIT

Full time employees of the Group participate in government mandated defined contribution plan, pursuant to which certain welfare benefits are provided to employees. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were approximately RMB93,658, RMB56,490 and RMB54,510 (US$7,903) for the years ended December 31, 2020, 2021 and 2022, respectively.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

## 20. FAIR VALUE MEASUREMENT

ASC 820-10, Fair Value Measurements and Disclosures: Overall ("ASC 820-10"), establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace

Level 3 - Unobservable inputs which are supported by little or no market activity

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

***Assets and liabilities measured or disclosed at fair value on a recurring basis***

In accordance with ASC 820-10, the Group measures equity investments with readily determinable fair value, equity investment accounted for using fair value option and available-for-sale debt securities at fair value on a recurring basis. The equity investments with readily determinable fair value and short-term available-for-sale debt securities are classified within Level 1 as the fair value is measured using quoted market data, or Level 2 as the fair value is measured by using indirectly inputs observable in the marketplace. The equity investment accounted for using fair value option and long-term available-for-sale debt securities are classified within Level 3 in the fair value hierarchy.

Assets and liabilities measured on a recurring basis or disclosed at fair value are summarized below:

| | Total Fair Value | Total Fair Value | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total gains (losses) |
|---|---|---|---|---|---|---|
| | RMB | US$ | RMB | RMB | RMB | RMB |
| ***Fair value measurement—Recurring:*** | | | | | | |
| **As of December 31, 2022** | | | | | | |
| **Short-term investment** | | | | | | |
| Wealth management products | 86,386 | 12,525 | | 86,386 | | 386 |
| **Long-term Investment** | | | | | | |
| Available-for-sale debt securities | 42,371 | 6,143 | | | 42,371 | (8,270) |
| Equity investments accounted for using fair value option | 370,162 | 53,668 | | | 370,162 | (25,601) |
| **As of December 31, 2021** | | | | | | |
| **Short-term investment** | | | | | | |
| Wealth management products | 262,169 | 41,140 | | 262,169 | | 1,441 |
| **Long-term Investment** | | | | | | |
| Available-for-sale debt securities | 46,339 | 7,272 | | | 46,339 | |
| Equity investments accounted for using fair value option | 362,235 | 56,843 | | | 362,235 | 6,537 |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

Reconciliations of assets categorized within Level 3 under the fair value hierarchy are as follow:

| | Amounts RMB |
|---|---|
| Balance as of January 1, 2020 | 388,581 |
| Addition | — |
| Fair value change | 857 |
| Foreign exchange translation adjustments | (25,140) |
| Balance as of December 31, 2020 | 364,298 |
| Addition | 46,339 |
| Fair value change | 6,537 |
| Foreign exchange translation adjustments | (8,600) |
| Balance as of December 31, 2021 | 408,574 |
| Addition | — |
| Fair value change | (33,871) |
| Foreign exchange translation adjustments | 37,830 |
| Balance as of December 31, 2022 | 412,533 |
| Balance as of December 31, 2022 in US$ | 59,811 |

(i) There were no transfers of fair value measurements into or out of Level 3 for the years ended December 31, 2020, 2021 and 2022.

Significant unobservable inputs used in the recurring fair value measurement for available-for-sale debt securities and equity investments accounted for using fair value option (level 3) are presented below:

| | Fair value | Valuation technique | Unobservable inputs | Range |
|---|---|---|---|---|
| Available-for-sale debt securities | 42,371 | Market approach | • Volatility | 66.2% |
| Equity investments accounted for using fair value option | 370,162 | Discount cash flow method | • Weighted average cost of capital ("WACC") | 17.0% |
| | | | • Compound Annual Growth Rate ("CAGR") | 16.8% |
| | | | • EBIT Margin | 4.7%~17.7 % |
| | | | • Volatility | 73.8% |

Significant increases (decreases) in the assumption of CAGR and EBIT margin in isolation would have resulted in a significantly higher (lower) fair value measurement. Significant increases (decreases) in the assumption of volatility and WACC in isolation would have resulted in a significantly lower (higher) fair value measurement.

***Assets and liabilities measured or disclosed at fair value on a non-recurring basis***

The Group measures certain financial assets as equity investments accounted for using equity method at fair value on a nonrecurring basis only if an impairment loss were to be recognized. The Group measures equity securities accounted for using measurement alternative on a non-recurring basis only if there are observable price changes in orderly transactions for identical or similar investments of the same issuer, or an impairment loss were to be recognized. The Group also measures the remaining interests upon deconsolidation of certain businesses at fair value on a non-recurring basis. The Group's non-financial assets, such as intangible assets and property and equipment, would be measured at fair value only if they were determined to be impaired.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

The following table summarizes the Company's assets held as of December 31, 2021 and 2022 for which a non-recurring fair value measurement was recorded during the years ended December 31, 2021 and 2022:

| | Total Balance | Total Balance | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total (losses) gains |
|---|---|---|---|---|---|---|
| | RMB | US$ | RMB | RMB | RMB | RMB |
| ***Fair value measurement—Non-Recurring:*** | | | | | | |
| **As of December 31, 2022** | | | | | | |
| Equity investments accounted for using the measurement alternative | 646,577 | 93,745 | | | 646,577 | (262,278) |
| **As of December 31, 2021** | | | | | | |
| Equity investments accounted for using the measurement alternative | 738,292 | 115,854 | | | 738,292 | (284,736) |

For equity securities accounted for under the measurement alternative, when there are observable price changes in orderly transactions for identical or similar investments of the same issuer, the investments are re-measured to fair value (Note 4). The non-recurring fair value measurements to the carrying amount of an investment usually requires management to estimate a price adjustment for the different rights and obligations between a similar instrument of the same issuer with an observable price change in an orderly transaction and the investment held by the Group. These non-recurring fair value measurements were measured as of the observable transaction dates. The valuation methodologies involved require management to use the observable transaction price at the transaction date and other unobservable inputs (level 3) such as volatility of comparable companies and probability of exit events as it relates to liquidation and redemption preferences. When there is impairment of equity securities accounted for under the measurement alternative, the non-recurring fair value measurements are measured at the date of impairment. The Company uses valuation methodologies, the market approach and income approach, which requires management to use unobservable inputs (level 3). As of December 31, 2022, the carrying value of these impaired investment measured at level 3 inputs were written down from RMB824,602 to fair value of RMB576,927 (US$83,647). In 2021, the Group sold part of equity interest of an investment previously accounted for using the measurement alternative and the remaining equity interest held was reclassified and accounted for as available-for-sale debt securities since the Group has a put option to require the equity investee to redeem the Group's equity interest at the Group's option. The Group remeasured the fair value of the investment upon the reclassification with a remeasurement loss of RMB42,883 recorded in "Other expense" in the consolidated comprehensive (loss) income for the year ended December 31, 2021. The significant unobservable inputs used in the fair value measurement and the corresponding impacts to the fair values are presented below:

| | Fair value | Valuation technique | Unobservable inputs | Range |
|---|---|---|---|---|
| Equity investments accounted for using measurement alternative | 646,577 | Back-Solve method | • Volatility | 37.0%~64.1% |
| | | Market Approach | • Volatility | 50.3%~50.9% |
| | | Discount cash flow method | • WACC | 17.4% |
| | | | • CAGR | 32.9% |
| | | | • EBIT Margin | -25.4%~27.7% |
| | | | • Volatility | 53.3% |

## 21. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date of issuance of the consolidated financial statements and does not identify any events with material financial impact on the Company's consolidated financial statements.

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

## 22. CONDENSED FINANCIAL INFORMATION OF THE COMPANY

***Balance Sheets***

| | As of December 31, | | |
|---|---|---|---|
| | 2021 | 2022 | |
| | RMB | RMB | US$ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 20,401 | 130,746 | 18,956 |
| Short-term investments | — | — | — |
| Prepayments and other current assets, net | 147,396 | 111,986 | 16,236 |
| Due from subsidiaries and related parties, net | 3,124,311 | 2,345,588 | 340,078 |
| **Total current assets** | **3,292,108** | **2,588,320** | **375,270** |
| **Non-current assets** | | | |
| Long-term investments | 446,969 | 477,366 | 69,212 |
| Investment in subsidiaries | 897,699 | 474,435 | 68,788 |
| Other non-current assets | 2,881 | — | — |
| **Total non-current assets** | **1,347,549** | **951,801** | **138,000** |
| **Total assets** | **4,639,657** | **3,540,121** | **513,270** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accrued expenses and other current liabilities | 19,110 | 10,595 | 1,536 |
| Due to subsidiaries and related parties | 1,159,795 | 301,582 | 43,725 |
| Income tax payable | 11,997 | 13,105 | 1,900 |
| **Total current liabilities** | **1,190,902** | **325,282** | **47,161** |
| Deferred tax liabilities | 40,908 | 40,897 | 5,930 |
| Other non-current liabilities | 128,721 | 140,611 | 20,387 |
| **Total non-current liabilities** | **169,629** | **181,508** | **26,317** |
| **Total liabilities** | **1,360,531** | **506,790** | **73,478** |
| **Shareholders' equity** | | | |
| Class A ordinary shares (par value of US$0.000025 per share; 7,600,000,000 shares authorized; 487,234,522 and 480,604,900 shares issued as of December 31, 2021 and 2022, respectively; 487,234,522 and 479,458,004 shares outstanding as of December 31, 2021 and 2022, respectively) | 79 | 80 | 12 |
| Class B ordinary shares (par value of US$0.000025 per share; 1,400,000,000 shares authorized; 957,465,244 and 970,015,685 shares issued as of December 31, 2021 and 2022, respectively; 945,496,827 and 970,015,685 shares outstanding as of December 31, 2021 and 2022, respectively) | 156 | 156 | 22 |
| Additional paid-in capital | 2,685,544 | 2,688,571 | 389,806 |
| Retained earnings/(Accumulated losses) | 505,085 | (9,424) | (1,366) |
| Accumulated other comprehensive income | 88,262 | 353,948 | 51,318 |
| **Total shareholders' equity** | **3,279,126** | **3,033,331** | **439,792** |
| **Total liabilities and shareholders' equity** | **4,639,657** | **3,540,121** | **513,270** |

(Amounts in thousands of Renminbi ("RMB") and U.S. Dollars ("US$"), except for number of shares and per share (or ADS) data)

***Statements of Comprehensive income (loss)***

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| **Revenues** | — | — | — | — |
| Cost of revenues | — | — | — | — |
| **Gross profit** | — | — | — | — |
| **Operating expenses** | | | | |
| Research and development | (482) | (3) | — | — |
| General and administrative | (45,159) | (21,978) | (23,615) | (3,424) |
| **Total operating expenses** | **(45,641)** | **(21,981)** | **(23,615)** | **(3,424)** |
| Equity in loss of subsidiaries | (168,217) | (352,616) | (471,710) | (68,391) |
| Interest income (expense), net | 2,325 | (9) | 3,211 | 466 |
| Foreign exchange (losses) gains, net | (315) | 71 | 280 | 41 |
| Other income (expense), net | 711,629 | 35,537 | (25,441) | (3,689) |
| **Income (loss) before income taxes** | **499,781** | **(338,998)** | **(517,275)** | **(74,997)** |
| Income tax (expenses) benefits | (83,049) | (12,128) | 3,800 | 551 |
| **Net income (loss)** | **416,732** | **(351,126)** | **(513,475)** | **(74,446)** |
| **Other comprehensive (loss) income, net of tax of nil** | | | | |
| Unrealized losses on available-for-sale securities, net | (7,250) | — | (8,269) | (1,199) |
| Foreign currency translation adjustments | (167,183) | (75,078) | 273,955 | 39,720 |
| **Other comprehensive (loss) income** | **(174,433)** | **(75,078)** | **265,686** | **38,521** |
| **Total comprehensive income (loss)** | **242,299** | **(426,204)** | **(247,789)** | **(35,925)** |

***Statements of Cash Flows***

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | |
| | RMB | RMB | RMB | US$ |
| Net cash (used in) provided by operating activities | (2,186) | 666 | (26,054) | (3,777) |
| Net cash provided by (used in) investing activities | 1,345,523 | (864,999) | 137,160 | 19,886 |
| Net cash (used in) provided by financing activities | (1,453,285) | 891,960 | — | — |
| Effect of exchange rate changes on cash and cash equivalents and restricted cash | (121,395) | (25,469) | (761) | (110) |
| **Net (decrease) increase in cash and cash equivalents and restricted cash** | **(231,343)** | **2,158** | **110,345** | **15,999** |
| **Cash and cash equivalents and restricted cash at beginning of the year** | **249,586** | **18,243** | **20,401** | **2,958** |
| **Cash and cash equivalents and restricted cash at end of the year** | **18,243** | **20,401** | **130,746** | **18,957** |

*(a) Basis of presentation*

For the Company only condensed financial information, the Company records its investment in its subsidiaries, VIEs and subsidiaries of VIEs under the equity method of accounting. Such investment is presented on the condensed balance sheets as "Investment in subsidiaries" and share of their income as "Equity in profit (loss) of subsidiaries" on the condensed statements of comprehensive income (loss). The subsidiaries VIEs and subsidiaries of VIEs did not pay any dividends to the Company for any of the years presented.

The Company only condensed financial information should be read in conjunction with the Group's consolidated financial statements.

*(b) Commitments and contingencies*

The Company does not have any significant commitments or long-term obligations as of any of the periods presented.

The Staff of the Division of Enforcement of the SEC conducted an investigation relating to the Company's disclosures for fiscal year 2015 regarding its relationship with one of its advertising business partners. The SEC investigation also relates to Rule 10b5-1 trading plans entered into by certain current and former officers and directors of the Company and sales of the Company's ADS under those plans in 2015 and 2016. On September 21, 2022, the Company's Chairman of the Board and Chief Executive Officer, Mr. Sheng Fu, reached a resolution with the SEC, the Company were not a party to the settlement. The SEC investigation is now closed, the Company has been informed that SEC had concluded its investigation with respect to the Company and did not intend to recommend an enforcement action.

Besides of the investigation mentioned above, there are no pending legal proceedings and litigations that would have a material adverse impact on the Company's financial positions, results of operations or cash flows as of December 31, 2022.

**Exhibit 2.4**

**Description of rights of each class of securities registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act")**

American Depositary Shares ("ADSs") each representing fifty Class A ordinary shares of Cheetah Mobile Inc., ("we," "our," "our company," or "us") are listed and traded on the New York Stock Exchange and, in connection with this listing (but not for trading), the Class A ordinary shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

**Description of Class A Ordinary Shares**

The following is a summary of material provisions of our currently effective fourth amended and restated memorandum and articles of association (the "Memorandum and Articles of Association"), as well as the Companies Act (as revised) of the Cayman Islands (the "Companies Act") insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our Registration Statement on Form F-1 (File No. 333- 194996).

***Type and Class of Securities (Item 9.A.5 of Form 20-F)***

Each Class A ordinary share has US$0.000025 par value. The number of Class A ordinary shares that have been issued as of the last day of our company's respective fiscal year is provided on the cover of the annual report on Form 20-F (the "Form 20-F") of our company. Our Class A ordinary shares may be held in either certificated or uncertificated form.

***Preemptive Rights (Item 9.A.3 of Form 20-F)***

Our shareholders do not have preemptive rights.

***Limitations or Qualifications (Item 9.A.6 of Form 20-F)***

We have a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall entitle the holder thereof to ten votes on all matters subject to the vote at general meetings of our company. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

***Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)***

Not applicable.

***Rights of Class A Ordinary Shares (Item 10.B.3 of Form 20-F)***

*Conversion*

Class B ordinary shares may be converted into the same number of Class A ordinary shares by the holders thereof at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances.

*Dividends*

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors. Dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

*Voting Rights*

On a show of hands each shareholder is entitled to one vote or, on a poll, every holder of Class A ordinary shares is entitled to one vote for each Class A ordinary share, while every holder of Class B ordinary shares is entitled to ten votes for each Class B ordinary share, voting together as one class on all matters that require a shareholder's vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, has advised that such voting structure is in compliance with current Cayman Islands law as in general terms, a company and its shareholders are free to provide in the articles of association for such rights as they consider appropriate, subject to such rights not being contrary to any provision of the Companies Act and not inconsistent with common law. Maples and Calder (Hong Kong) LLP has confirmed that the inclusion in the articles of provisions giving weighted voting rights to specific shareholders generally or on specific resolutions is not prohibited by the Companies Act. Further, weighted voting provisions have been held to be valid as a matter of English common law and therefore it is expected that such would be upheld by a Cayman Islands court.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares which are cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of votes attached to the ordinary shares which are cast in a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Act and our memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

*Transfer of Ordinary Shares*

Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us;
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable, or such lesser sum as our board may from time to time require, is paid to us in respect thereof; and

- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

*Liquidation Rights*

Upon our company being wound up, our assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. We are a "limited liability" company incorporated under the Companies Act, and under the Companies Act, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

*Calls on Ordinary Shares and Forfeiture of Ordinary shares*

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

*Redemption, Repurchase and Surrender of Ordinary Shares*

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

***Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)***

*Variations of Rights of Shares*

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any such class of shares may, subject to any rights or restrictions for the time being attached to any class, be materially adversely varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, subject to any rights or restrictions for the time being attached to the shares of that class, be deemed to be materially adversely varied by, inter alia, the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of any shares of any class by our company. The rights of the holders of shares shall not be deemed to be materially adversely varied by the creation or issue of shares with preferred or other rights including, without limitation, the creation of shares with enhanced or weighted voting rights.

***Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)***

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A ordinary shares.

***Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)***

*Anti-Takeover Provisions in the Memorandum and Articles of Association.* Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

***Ownership Threshold (Item 10.B.8 of Form 20-F)***

There are no provisions under the laws of the Cayman Islands applicable to the Company, or under the Memorandum and Articles of Association, that require the Company to disclose shareholder ownership above any particular ownership threshold.

***Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)***

The Companies Act of the Cayman Islands is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Act of the Cayman Islands and the current Companies Act of England. In addition, the Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Act applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

*Mergers and Similar Arrangements.* The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The

convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands.

While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Act.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

*Shareholders' Suits.* In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

*Indemnification of Directors and Executive Officers and Limitation of Liability.* Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that our directors and officers shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

*Anti-Takeover Provisions in the Memorandum and Articles of Association.* Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

*Directors' Fiduciary Duties.* Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

*Shareholder Proposals.* Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of

association provides that, on the requisition of shareholders representing not less than one-tenth of the votes entitled to be cast at general meetings, the board shall convene an extraordinary general meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. However, our articles of association provide that we may, but are not obliged to, in each year hold a general meeting as our annual general meeting.

*Cumulative Voting.* Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

*Removal of Directors.* Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed by ordinary resolution of the company.

*Transactions with Interested Shareholders.* The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

*Dissolution; Winding Up*. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Act of the Cayman Islands and our memorandum and articles of association, our company may be dissolved, liquidated or wound up by a special resolution, or by an ordinary resolution on the basis that our company is unable to pay its debts as they fall due.

*Variation of Rights of Shares*. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our articles of association, if our share capital is divided into more than one class of shares, we may materially adversely vary the rights attached to any class only with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

*Amendment of Governing Documents.* Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under Cayman Islands law, our memorandum and articles of association may only be amended by special resolution of our shareholders.

*Rights of Non-Resident or Foreign Shareholders*. There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association that require our Company to disclose shareholder ownership above any particular ownership threshold.

*Directors' Power to Issue Shares*. Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

*Exempted Company.* We are an exempted company with limited liability under the Companies Act of the Cayman Islands. The Companies Act in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company held by that shareholder (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

*Changes in Capital (Item 10.B.10 of Form 20-F)*

Our shareholders may from time to time by ordinary resolution:

- increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- convert all or any of our paid up shares into stock and reconvert that stock into paid up shares of any denomination;
- sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

We may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

**Debt Securities (Item 12.A of Form 20-F)**

Not applicable.

**Warrants and Rights (Item 12.B of Form 20-F)**

Not applicable.

**Other Securities (Item 12.C of Form 20-F)**

Not applicable.

**Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)**

The Bank of New York Mellon, as depositary, registers and delivers American Depositary Shares, also referred to as ADSs. Each ADS represents fifty Class A ordinary shares (or a right to receive fifty Class A ordinary shares) deposited with the principal Hong Kong office of The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADSs will be administered and its principal executive office are located at 240 Greenwich Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having ADSs registered in your name in the Direct Registration System, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Direct Registration System, also referred to as DRS, is a system administered by The Depository Trust Company, also referred to DTC, under which the depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. The deposit agreement has been filed with the SEC as an exhibit to a Registration Statement on Form F-6 (File No. 333-195489) for our company.

***Dividends and Other Distributions***

*How will you receive dividends and other distributions on the shares underlying my ADSs?*

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Shares your ADSs represent.

- *Cash.* The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

- *Shares.* The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.
- *Rights to purchase additional shares.* If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to ADS holders. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to ADS holders, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to the persons entitled to them. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States.

In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- *Other Distributions.* The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

***Deposit, Withdrawal and Cancellation***

*How are ADSs issued?*

The depositary will deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

*How can ADS holders withdraw the deposited securities?*

You may surrender your ADSs at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

*How do ADS holders interchange between certificated ADSs and uncertificated ADSs?*

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

***Voting Rights***

*How do you vote?*

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. The depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they much reach the depositary by a date set by the depositary.

Otherwise, you won't be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.

The depositary will try, as far as practical, subject to the laws of the Cayman Islands and of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The depositary will only vote or attempt to vote as instructed.

If we timely ask the depositary to solicit your voting instructions but the depositary does not receive your instructions by the date set by the depositary, the depositary will give a discretionary proxy to a person designated by us to vote the shares represented by your ADSs with respect to each matter to be voted on, unless we notify the depositary that (i) we do not wish to receive that proxy, (ii) substantial opposition exists to the particular question or (iii) the particular matter would materially and adversely affect the rights of holders of our shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

***Reclassifications, Recapitalizations and Mergers***

If we change the nominal or par value of our shares or reclassify, split up or consolidate any of the deposited securities, then the cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.

If we distribute securities on the shares that are not distributed to you or recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, then the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

***Amendment and Termination***

*How may the deposit agreement be amended?*

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

*How may the deposit agreement be terminated?*

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The depositary may also terminate the deposit agreement by mailing notice of termination to us and the ADS holders if 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares and other deposited securities upon cancellation of ADSs. Four months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

***Limitations on Obligations and Liability***

*Limits on our obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs*

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

***Requirements for Depositary Actions***

Before the depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

***Your Right to Receive the Shares Underlying your ADSs***

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- When temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares.
- When you owe money to pay fees, taxes and similar charges.
- When it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

***Pre-release of ADSs***

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying shares. This is called a pre-release of the ADSs. The depositary may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (3) the depositary must be able to close out the pre-release on not more than five business days' notice. In addition, the depositary will normally limit the number of shares represented by ADSs that may be outstanding at any time as a result of pre-release to no more than 30% of the amount of shares on deposit, although the depositary may change or disregard the limit from time to time if it thinks it is appropriate to do so.

***Direct Registration System***

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC under which the depositary may register the ownership of uncertificated ADSs, which ownership will be confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

***Shareholder communications; inspection of register of holders of ADSs***

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

**Exhibit 4.4**

**Cheetah Mobile Inc.**

**2023 SHARE INCENTIVE PLAN**

## ARTICLE 1
## PURPOSE

The purpose of this Cheetah Mobile Inc. 2023 Share Incentive Plan (the "Plan") is to promote the success and enhance the value of Cheetah Mobile Inc. (the "Company") by linking the personal interests of the members of the Board, Employees and Consultants to those of Company shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company shareholders. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of members of the Board, Employees and Consultants upon whose judgment, interests and special efforts the successful conduct of the Company's operation is largely dependent.

## ARTICLE 2
## DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan, they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" shall mean the entity that conducts the general administration of the Plan as provided in Article 9. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 9.1, or as to which the Board has assumed, the term "Administrator" shall refer to such person(s) unless the Committee or the Board has revoked such delegation or the Board has terminated the assumption of such duties.

2.2 "Applicable Accounting Standards" shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards, or such other accounting principles or standards as may apply to the Company's financial statements under Applicable Laws.

2.3 "Applicable Laws" shall mean (i) the laws of the Cayman Islands as they relate to the Company and its Shares; (ii) the legal requirements relating to the Plan and the Awards under applicable provisions of the corporate, securities, tax and other laws, rules, regulations and government orders of any jurisdiction applicable to Awards granted to residents; and (iii) the rules of any applicable securities exchange, national market system or automated quotation system on which the Shares are listed, quoted or traded.

2.4 "Article" shall mean an article of this Plan.

2.5 "Articles of Association" shall mean Company's Fourth Amended and Restated Memorandum of Association and Articles of Association, as such may be amended from time to time.

2.6 "Award" shall mean an Option, a Restricted Share award, a Restricted Share Unit award or other types of awards, in the form of cash or otherwise, which may be awarded or granted under the Plan (collectively, "Awards").

2.7 "Award Agreement" shall mean any written notice, agreement, terms and conditions, contract or other instrument or document evidencing the grant of an Award, including through electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine consistent with the Plan.

2.8 "Board" shall mean the Board of Directors of the Company.

2.9 "Cause" shall mean (unless otherwise expressly provided in the applicable Award Agreement or another applicable contract with the Holder that defines such term for purposes of determining the effect that a "for cause" termination has on the Holder's Awards) a termination of employment or service based upon a finding by the Service Recipient, acting in good faith and based on its reasonable belief at the time, that the Holder:

(a) has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a Disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or materially violated any other duty, law, rule, regulation or policy of the Service Recipient; or has been convicted of, or plead guilty or *nolo contendere* to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Service Recipient or violates the Service Recipient's employee handbook and other management policy (or other similar guidelines);

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Service Recipient;

(f) has improperly induced a vendor or customer to break or terminate any contract with the Service Recipient or induced a principal for whom the Service Recipient acts as agent to terminate such agency relationship; or

(g) has made negative public announcement, including but limited to any insulting or defamatory statements, with respect to the Company and its management.

2.10 "Code" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

2.11 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of one or more member of the Board, appointed as provided in Section 9.1.

2.12 "Company" shall mean Cheetah Mobile Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability.

2.13 "Consultant" shall mean any consultant or adviser if: (a) the consultant or adviser renders bona fide services to a Service Recipient; (b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (c) the consultant or adviser is a natural person who has contracted directly with the Service Recipient to render such services.

2.14 "Corporate Transaction" shall mean any of the following transactions, *provided, however*, that the Committee shall determine under (f) and (g) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(a) an amalgamation, arrangement, consolidation or scheme of arrangement in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the jurisdiction in which the Company is incorporated or which following such transaction the holders of the Company's voting securities immediately prior to such transaction own fifty percent (50%) or more of the surviving entity;

(b) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's shareholders which a majority of the Incumbent Board (as defined below) who are not affiliates or associates of the offeror under Rule 12b-2 promulgated under the Exchange Act do not recommend such shareholders accept;

(c) the individuals who, as of the Effective Date, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least fifty percent (50%) of the Board; *provided, that* if the election, or nomination for election by the Company's shareholders, of any new member of the Board is approved by a vote of at least fifty percent (50%) of the Incumbent Board, such new member of the Board shall be considered as a member of the Incumbent Board;

(d) the sale, transfer or other disposition of all or substantially all of the assets of the Company (other than to a Parent, Subsidiary or Related Entity);

(e) the completion of a voluntary or insolvent liquidation or dissolution of the Company;

(f) any reverse takeover, scheme of arrangement, or series of related transactions culminating in a reverse takeover or scheme of arrangement (including, but not limited to, a tender offer followed by a reverse takeover) in which the Company survives but (A) the Shares of the Company outstanding immediately prior to such transaction are converted or exchanged by virtue of the transaction into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such transaction culminating in such takeover or scheme of arrangement, but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction; or

(g) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Committee determines shall not be a Corporate Transaction.

Notwithstanding anything in the foregoing to the contrary, with respect to compensation (A) that is subject to Section 409A of the Code and (B) for which a Corporate Transaction would accelerate the timing of payment thereunder, the term "Corporate Transaction" shall mean an event that is both (x) a Corporate Transaction (as defined above) and (y) a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, as defined in Section 409A of the Code and authoritative guidance thereunder, but only to the extent necessary to comply with Section 409A of the Code as determined by the Company.

2.15 "Director" shall mean a member of the Board, as constituted from time to time.

2.16 "Disability", unless otherwise defined in an Award Agreement, shall mean that the Holder qualifies to receive long-term disability payments under the Service Recipient's long-term disability insurance program, as it may be amended from time to time, to which the Holder provides services regardless of whether the Holder is covered by such policy. If the Service Recipient to which a Holder provides service does not have a long-term disability plan in place, "Disability" shall mean that the Holder is unable to carry out the responsibilities and functions of the position held by the Holder by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Holder will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Committee in its discretion.

2.18 "Effective Date" shall have the meaning set forth in Section 10.1.

2.19 "Eligible Individual" shall mean any person who is an Employee, a Consultant or a Non-Employee Director, as determined by the Committee; provided, however, that Awards shall not be granted to Consultants or Non-Employee Directors who are resident of any country in the European Union, and any other country which pursuant to Applicable Laws does not allow grants to non-employees.

2.20 "Employee" shall mean any person who is in the employ of a Service Recipient, subject to the control and direction of the Service Recipient as to both the work to be performed and the manner and method of performance. The payment of a Director's fee by a Service Recipient shall not be sufficient to constitute "employment" by the Service Recipient.

2.21 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.22 "Fair Market Value" shall mean, as of any date, the value of Shares determined as follows:

(a) If the Shares are listed on one or more established and regulated securities exchanges, national market systems or automated quotation system on which Shares are listed, quoted or traded, its Fair Market Value shall be the closing sales price for such shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Committee) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable;

(b) If the Shares are not listed on an established securities exchange, national market system or automated quotation system, but are regularly quoted by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such shares as quoted by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a Share shall be the mean between the high bid and low asked prices for the Shares on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; or

(c) In the absence of an established market for the Shares of the type described in (a) and (b), above, the Fair Market Value thereof shall be determined by the Committee in good faith and in its discretion by reference to (i) the placing price of the latest private placement of the Shares and the development of the Company's business operations and the general economic and market conditions since such latest private placement, (ii) other third party transactions involving the Shares and the development of the Company's business operation and the general economic and market conditions since such sale, (iii) an independent valuation of the Shares, or (iv) such other methodologies or information as the Committee determines to be indicative of Fair Market Value.

2.23 "Holder" shall mean a person who has been granted an Award.

2.24 "Incentive Option" shall mean an Option that is intended to meet the applicable provisions of Section 422 of the Code.

2.25 "Non-Employee Director" shall mean a Director of the Company who is not an Employee.

2.26 "Non-Qualified Option" shall mean an Option that is not an Incentive Option.

2.27 "Option" shall mean a right to purchase Shares at a specified exercise price, granted under Article 5. An Option shall be either a Non-Qualified Option or an Incentive Option; *provided, however*, that Incentive Options may only be granted to Employees.

2.28 "Parent" shall mean any entity whether domestic or foreign, in an unbroken chain of entities ending with the Company, if each of the entities other than the first entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.29 "Plan" shall mean this Cheetah Mobile Inc. 2023 Share Incentive Plan, as it may be amended or restated from time to time.

2.30 "Related Entity" shall mean any business, corporation, partnership, limited liability company or other entity in which the Company, a Parent or Subsidiary of the Company holds a substantial economic interest, directly or indirectly, through ownership or contractual arrangements but which is not a Subsidiary and which the Board designates as a Related Entity for purposes of the Plan.

2.31 "Restricted Shares" shall mean Shares awarded under Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.32 "Restricted Share Units" shall mean the right to receive Shares awarded under Section 7.4.

2.33 "Rule 16b-3" shall mean Rule 16b-3 promulgated under the Exchange Act.

2.34 "Securities Act" shall mean the Securities Act of 1933, as amended.

2.35 "Service Recipient" shall mean the Company, any Parent or Subsidiary of the Company, or their consolidate variable interest entities and their respective subsidiaries, to which an Eligible Individual provides services as an Employee, Consultant or as a Director.

2.36 "Share" shall mean an ordinary share of the Company, and such other securities of the Company that may be substituted for Shares pursuant to Article 11.

2.39 "Subsidiary" shall mean any entity (other than the Company), whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing more than fifty percent (50%) of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

2.40 "Substitute Award" shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity in connection with a Corporate Transaction; *provided, however, that* in no event shall the term "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option.

2.41 "Termination of Service" shall mean,

(a) As to a Consultant, the time when the engagement of a Holder as a Consultant to a Service Recipient is terminated for any reason, with or without Cause, including, without limitation, by resignation, discharge, death or retirement, but excluding terminations where the Consultant simultaneously commences or remains in employment or service with the Company, any Subsidiary or any Related Entity.

(b) As to a Non-Employee Director, the time when a Holder who is a Non-Employee Director ceases to be a Director for any reason, with or without Cause, including, without limitation, a termination by resignation, failure to be elected, death or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company, any Subsidiary or any Related Entity.

(c) As to an Employee, the time when the employee-employer relationship between a Holder and the Service Recipient is terminated for any reason, with or without Cause, including, without limitation, a termination by resignation, discharge, death, Disability or retirement, but excluding terminations where the Holder simultaneously commences or remains in employment or service with the Company, any Subsidiary or any Related Entity.

The Administrator, in its sole discretion, shall determine the effect of all matters and questions relating to Terminations of Service, including, without limitation, the question of whether a Termination of Service resulted from a discharge for Cause and all questions of whether particular leaves of absence constitute a Termination of Service; provided, however, that, with respect to Incentive Options and Awards subject to Section 409A of the Code, unless the Administrator otherwise provides in the terms of the Award Agreement or otherwise, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Service only if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) or 409A of the Code and the then applicable regulations and revenue rulings under said Sections. For purposes of the Plan and subject to the requirements of Section 409A of the Code, a Holder's employee-employer relationship or consultancy relations shall be deemed to be terminated in the event that the Subsidiary or Related Entity employing or contracting with such Holder ceases to remain a Subsidiary or Related Entity following any merger, sale of securities or other corporate transaction or event (including, without limitation, a spin-off).

2.42 "Trading Date" shall mean the closing of the first sale to the general public of the Shares pursuant to an effective registration statement under Applicable Laws, which results in the Shares being publicly traded on one or more established stock exchanges or national market systems.

## ARTICLE 3
## SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Section 3.1(b) and Section 12.1, the maximum aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan shall be equal to 145,000,000 Shares.

(b) To the extent that an Award terminates, expires, or lapses for any reason, or is settled in cash and not Shares, then any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. Shares delivered by the Holder or withheld by the Company upon the exercise of any Award under the Plan, in payment of the exercise price thereof or tax withholding thereon, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). If any Shares forfeited by the Holder or repurchased by the Company are again returned to the Company, these shares may again be optioned, granted or awarded hereunder, subject to the limitations of Section 3.1(a). To the extent permitted by Applicable Laws, Shares issued in assumption of, or in substitution for, any outstanding awards of any entity acquired in any form of combination by the Company, any Parent or any Subsidiary or Related Entity shall not be counted against Shares available for grant pursuant to the Plan; *provided*, that such assumed or substituted awards issued in connection with the assumption of, or in substitution for, any outstanding options intended to qualify as "incentive stock options" within the meaning of Section 422 of the Code shall be counted against the aggregate number of Shares available for Awards of Incentive Options under the Plan. Notwithstanding the provisions of this Section 3.1(b), no Shares may again be optioned, granted or awarded if such action would cause an Incentive Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 Shares Distributed. Any Shares distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, treasury Shares (subject to Applicable Laws) or Shares purchased on the open market. Additionally, in the discretion of the Committee, American Depository Shares in an amount equal to the number of Shares which otherwise would be distributed pursuant to an Award may be distributed in lieu of Shares in settlement of any Award. If the number of Shares represented by an American Depository Share is other than on a one-to-one basis, the limitations of Section 3.1 shall be adjusted to reflect the distribution of American Depository Shares in lieu of Shares.

## ARTICLE 4
## GRANTING OF AWARDS

4.1 Participation. The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Plan. No Eligible Individual shall have any right to be granted an Award pursuant to the Plan, and the granting of an Award in one year shall not be deemed the right to receive a grant of an Award in any subsequent year.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement. Award Agreements evidencing Incentive Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.3 Jurisdictions. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in the jurisdictions in which the Service Recipients operate or have Eligible Individuals, or in order to comply with the requirements of any securities exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries and Related Entities shall be covered by the Plan; (b) determine which Eligible Individuals are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals to comply with Applicable Laws; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); *provided, however*, that no such subplans and/or modifications shall increase the share limitations contained in Section 3.1; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any Applicable Laws including necessary local governmental regulatory exemptions or approvals or listing requirements of any such securities exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate any Applicable Laws.

4.4 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

## ARTICLE 5
## OPTIONS

5.1 General. The Committee is authorized to grant Options to Eligible Individuals on the following terms and conditions:

(a) Exercise Price. The exercise price per Share subject to an Option shall be determined by the Administrator and set forth in the Award Agreement which may be a fixed or variable price related to the Fair Market Value of the Shares; *provided, however*, that no Option may be granted to an individual subject to taxation in the United States at less than the Fair Market Value on the date of grant, without compliance with Section 409A of the Code, or the Holder's consent. The exercise price per Share subject to an Option may be amended or adjusted in the absolute discretion of the Administrator, the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by Applicable Laws (including any applicable exchange rule and Section 409A of the Code), a downward adjustment of the exercise prices of Options mentioned in the preceding sentence shall be effective without the approval of the Company's shareholders or the approval of the affected Holders.

(b) Vesting. The period during which the right to exercise, in whole or in part, an Option vests in the Holder shall be set by the Administrator and the Administrator may determine that an Option may not be exercised in whole or in part for a specified period after it is granted. Such vesting may be based on service with the Service Recipient or any other criteria selected by the Administrator. At any time after grant of an Option, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option vests. No portion of an Option which is unexercisable at a Holder's Termination of Service shall thereafter become exercisable, except as may be otherwise provided by the Administrator either in the Award Agreement or by action of the Administrator following the grant of the Option.

(c) Time and Conditions of Exercise. The Administrator shall determine the time or times at which an Option may be exercised in whole or in part, including exercise prior to vesting and that a partial exercise must be with respect to a minimum number of shares. The Administrator shall also determine any conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(d) Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Administrator may, in its discretion, require that, by the terms of the Option, a partial exercise must be with respect to a minimum number of shares.

(e) Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(i) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Holder or other person then entitled to exercise the Option or such portion of the Option;

(ii) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all Applicable Laws or regulations, and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(iii) In the event that the Option shall be exercised pursuant to Section 9.3 by any person or persons other than the Holder, appropriate proof of the right of such person or persons to exercise the Option, as determined in the sole discretion of the Administrator; and

(iv)Full payment of the exercise price and applicable withholding taxes to the share administrator of the Company for the Shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Sections 9.1 and 9.2.

(f) Term. The term of any Option granted under the Plan shall not exceed ten years. Except as limited by the requirements of Section 409A or Section 422 of the Code and regulations and rulings thereunder, in its sole discretion, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised, in connection with any Termination of Service of the Holder, and may amend any other term or condition of such Option relating to such a Termination of Service.

(g) Evidence of Grant. All Options shall be evidenced by an Award Agreement between the Company and the Holder. The Award Agreement shall include such additional provisions as may be specified by the Committee.

5.2Incentive Options. Incentive Options may be granted to Employees of the Company, a Parent or Subsidiary of the Company (which qualify as a parent or subsidiary corporation under Sections 424(e) and (f) of the Code respectively). Incentive Options may not be granted to Employees of a Related Entity or to Non-Employee Directors or Consultants. The terms of any Incentive Options granted pursuant to the Plan, in addition to the requirements of Section 5.1, must comply with the following additional provisions of this Section 5.2:

(a) Expiration of Option. An Incentive Option may not be exercised to any extent by anyone after the first to occur of the following events, unless otherwise approved by the Administrator in a separate resolution:

(i) Ten years from the date it is granted, unless an earlier time is set in the Award Agreement;

(ii) Three months after the Holder's Termination of Service as an Employee (save in the case of termination on account of Disability or death); and

(iii) One year after the date of the Holder's Termination of Service on account of disability or death. Upon the Holder's Disability or death, any Incentive Options exercisable at the Holder's Disability or death may be exercised by the Holder's legal representative or representatives, by the person or persons entitled to do so pursuant to the Holder's last will and testament, or, if the Holder fails to make testamentary disposition of such Incentive Option or dies intestate, by the person or persons entitled to receive the Incentive Option pursuant to the applicable laws of descent and distribution as determined under Applicable Laws.

(b) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all Shares with respect to which Incentive Options are first exercisable by a Holder in any calendar year may not exceed US$100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Options are first exercisable by a Holder in excess of such limitation, the excess shall be considered Non-Qualified Options.

(c) Ten Percent Owners. An Incentive Option shall be granted to any Eligible Individual who, at the date of grant, owns Shares possessing more than ten percent of the total combined voting power of all classes of shares of the Company only if such Option is granted at a price that is not less than 110% of Fair Market Value on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(d) Transfer Restriction. The Holder shall give the Company prompt notice of any disposition of Shares acquired by exercise of an Incentive Option within (i) two years from the date of grant of such Incentive Option or (ii) one year after the transfer of such Shares to the Holder.

(e) Expiration of Incentive Options. No Award of an Incentive Option may be made pursuant to this Plan after the tenth anniversary of the Effective Date.

(f) Right to Exercise. During a Holder's lifetime, an Incentive Option may be exercised only by the Holder.

5.3 Substitute Awards. Notwithstanding the foregoing provisions of this Article 5 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, *provided*, that the excess of: (a) the aggregate Fair Market Value (as of the date such Substitute Award is granted) of the shares subject to the Substitute Award, over (b) the aggregate exercise price thereof does not exceed the excess of: (x) the aggregate fair market value (as of the time immediately preceding the transaction giving rise to the Substitute Award, such fair market value to be determined by the Administrator) of the shares of the predecessor entity that were subject to the grant assumed or substituted for by the Company, over (y) the aggregate exercise price of such shares.

## ARTICLE 6
## AWARD OF RESTRICTED SHARES

6.1 Award of Restricted Shares.

(a) The Administrator is authorized to grant Restricted Shares to Eligible Individuals, and shall determine the amount of, and the terms and conditions, including the restrictions applicable to each award of Restricted Shares, which terms and conditions shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Shares as it deems appropriate.

(b) The Administrator shall establish the purchase price, if any, and form of payment for Restricted Shares; *provided, however*, that such purchase price shall be no less than the par value of the Shares to be purchased, unless otherwise permitted by Applicable Laws. In all cases, legal consideration shall be required for each issuance of Restricted Shares.

6.2 Restricted Share Award Agreement. Each Award of Restricted Shares shall be evidenced by an Award Agreement that shall specify the period of restriction, the number of Restricted Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, shall determine. Unless the Administrator determines otherwise, Restricted Shares shall be held by the Company as escrow agent until the restrictions on such Restricted Shares have lapsed.

6.3 Restrictions. All Restricted Shares (including any shares received by Holders thereof with respect to Restricted Shares as a result of share dividends, share splits or any other form of recapitalization) shall, in the terms of each individual Award Agreement, be subject to such restrictions and vesting requirements as the Administrator, in its sole discretion, shall provide. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Administrator, including, without limitation, criteria based on the Holder's duration of employment, directorship or consultancy with the Service Recipient, or other criteria selected by the Administrator. By action taken after the Restricted Shares are issued, the Administrator may, on such terms and conditions as it may determine to be appropriate, accelerate the vesting of such Restricted Shares by removing any or all of the restrictions imposed by the terms of the Award Agreement. Restricted Shares may not be sold or encumbered until all restrictions are terminated or expire.

6.4 Repurchase or Forfeiture of Restricted Shares. If no price was paid by the Holder for the Restricted Shares, upon a Termination of Service the Holder's rights in unvested Restricted Shares then subject to restrictions shall lapse, and such Restricted Shares shall be surrendered to the Company and cancelled without consideration. If a purchase price was paid by the Holder for the Restricted Shares, upon a Termination of Service the Company shall have the right to repurchase from the Holder the unvested Restricted Shares then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Shares or such other amount as may be specified in the Award Agreement. The Administrator in its sole discretion may provide that in the event of certain events the Holder's rights in unvested Restricted Shares shall not lapse, such Restricted Shares shall vest and shall be non-forfeitable, and if applicable, the Company shall not have a right of repurchase.

6.5 Certificates for Restricted Shares. Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing Restricted Shares must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such

Restricted Shares, and the Company may, in its sole discretion, retain physical possession of any share certificate until such time as all applicable restrictions lapse.

## ARTICLE 7
## RESTRICTED SHARE UNITS

7.1 Restricted Share Units. The Administrator is authorized to grant Restricted Share Units to any Eligible Individual. The number and terms and conditions of Restricted Share Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Share Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate, including service to the Service Recipients, in each case on a specified date or dates or over any period or periods, as the Administrator determines. Restricted Share Units may be paid in cash, Shares or both, as determined by the Administrator.

7.2 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price of shares distributed pursuant to a Restricted Share Unit award; *provided, however*, that the value of the consideration shall not be less than the par value of the Shares underlying such Award, unless otherwise permitted by Applicable Laws.

7.3 Exercise upon Termination of Service. A Restricted Share Unit award is exercisable or distributable only while the Holder is an Employee, Director or Consultant, as applicable. The Administrator, however, in its sole discretion may provide that the Restricted Share Unit award may be exercised or distributed subsequent to a Termination of Service in certain events, subject to compliance with Section 409A of the Code, to the extent applicable to the Holder.

## ARTICLE 8
## ADDITIONAL TERMS OF AWARDS

8.1 Payment. The Administrator shall determine the methods by which payments by any Holder with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) Shares (including, in the case of payment of the exercise price of an Award, Shares issuable pursuant to the exercise of the Award) or Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences under Applicable Accounting Standards, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) following the Trading Date, delivery of a notice that the Holder has placed a market sell order with a broker with respect to Shares then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required, *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator in its sole discretion. The Administrator shall also determine the methods by which Shares shall be delivered or deemed to be delivered to Holders. Notwithstanding any other provision of the Plan to the contrary, no Holder shall be permitted to make payment with respect to any Awards granted under the Plan to the extent prohibited by Applicable Laws.

8.2 Tax Withholding. No Shares shall be delivered under the Plan to any Holder until such Holder has made arrangements acceptable to the Administrator for the satisfaction of any income, employment, social welfare or other tax withholding obligations under Applicable Laws. Each Service Recipient shall have the authority and the right to deduct or withhold, or require a Holder to remit to the applicable Service Recipient, an amount sufficient to satisfy federal, state, local and foreign taxes (including the Holder's employment, social welfare or other tax obligations) required by Applicable Laws to be withheld with respect to any taxable event concerning a Holder arising as a result of the Plan. The Administrator may in its sole discretion and in satisfaction of the foregoing requirement allow a Holder to elect to have the Company withhold Shares otherwise issuable under an Award (or allow the surrender of Shares). The number of Shares which may be so withheld or surrendered shall be limited to the number of Shares which have a Fair Market Value on the date of withholding or repurchase up to the maximum expected aggregate amount of such liabilities based on the maximum statutory withholding rates for tax purposes that are applicable to such taxable income, provided that such withholding does not result in adverse tax or accounting consequences to the Company. The Administrator shall determine the Fair Market Value of the Shares, consistent with Applicable Laws, for tax withholding obligations due in connection with a broker-assisted cashless Option exercise involving the sale of shares to pay the Option exercise price or any tax withholding obligation.

8.3 Transferability of Awards.

(a) Except as otherwise provided in Section 8.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, as required under applicable domestic relations laws, unless and until such Award has been exercised, or the Shares underlying such Award have been issued, and all restrictions applicable to such Shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Holder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of Applicable Law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Holder, only the Holder may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to applicable domestic relations law. After the death of the Holder, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Holder's will or under the then Applicable Laws of descent and distribution.

(b) Notwithstanding Section 8.3(a), the Administrator, in its sole discretion, may determine to permit a Holder to transfer an Award other than an Incentive Option to certain persons or entities related to the Holder, including but not limited to members of the Holder's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Holder's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Administrator may establish, including the following conditions: (i) an Award transferred shall not be assignable or transferable other than by will or the laws of descent and distribution; (ii) an Award transferred shall continue to be subject to all the terms and conditions of the Award as applicable to the original Holder (other than the ability to further transfer the Award); and (iii) the Holder and the permitted transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a permitted transferee, (B) satisfy any requirements for an exemption for the transfer under Applicable Laws and (C) evidence the transfer.

(c) Notwithstanding Section 8.3(a), a Holder may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Holder and to receive any distribution with respect to any Award upon the Holder's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Holder, except to the extent the Plan and Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Holder is married and resides in a community property jurisdiction, a designation of a person other than the Holder's spouse as his or her beneficiary with respect to more than 50% (or such other percentage as specified under Applicable Law) of the Holder's interest in the Award shall not be effective without the prior written or electronic consent of the Holder's spouse. If no beneficiary has been designated or survives the Holder, payment shall be made to the person entitled thereto pursuant to the Holder's will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Holder at any time provided the change or revocation is filed with the Administrator prior to the Holder's death.

8.4 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance of such Shares is in compliance with all Applicable Laws and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Board or Committee may require that a Holder make such reasonable covenants, agreements, and representations as the Board or Committee, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements.

(b) All Share certificates delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with all Applicable Laws. The Administrator may place legends on any Shares certificate or book entry to reference restrictions applicable to the Shares.

(c) The Administrator shall have the right to require any Holder to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional Shares shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional shares or whether such fractional shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any Applicable Laws, the Company shall not deliver to any Holder certificates evidencing Shares issued in connection with any Award and instead such Shares shall be recorded in the books of the Company (or, as applicable, the Administrator or the transfer agent of the Company).

8.5 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Award Agreement made under the Plan, or to require a Holder to agree by separate written instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Holder upon any receipt or exercise of the Award, or upon the receipt or resale of any Shares underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Holder at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as determined by the Administrator in its discretion, or (iii) the Holder incurs a Termination of Service for Cause.

8.6 Applicable Currency. Unless otherwise required by Applicable Laws, or as determined in the discretion of the Administrator, all Awards shall be designated in U.S. dollars. A Holder may be required to provide evidence that any currency used to pay the exercise price of any Award were acquired and taken out of the jurisdiction in which the Holder resides in accordance with Applicable Laws, including foreign exchange control laws and regulations. In the event the exercise price for an Award is paid in Chinese Renminbi or another foreign currency, as permitted by the Administrator, the amount payable will be determined by conversion from U.S. dollars at the official rate promulgated by the People's Bank of China for Chinese Renminbi, or for jurisdictions other than the Peoples Republic of China, the exchange rate as selected by the Administrator on the date of exercise.

## ARTICLE 9
## ADMINISTRATION

9.1 Administrator. The Plan shall be administered by the Committee to whom the Board shall delegate the authority to grant or amend Awards to Holders other than any of the Committee members . Reference to the Committee shall refer to the Board in absence of the Committee. Notwithstanding the foregoing, the full Board, acting by majority of its members in office, shall conduct the general administration of the Plan if required by Applicable Laws, and with respect to Awards granted to members of the Committee and independent directors of the Company and for purposes of such Awards, the term "Committee" as used in the Plan shall be deemed to refer to the Board. The Committee may further delegate, to the extent permitted by applicable law, to one or more officers of the Company, its powers under this Plan (a) to designate officers, employees and consultants of the Company and its Subsidiaries who will receive grants of Awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such Awards, in each case within the limits established by the Board or the Committee.

9.2 Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of the Plan in accordance with its provisions. The Committee shall have the power to interpret the Plan and the Award Agreement, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent therewith, to interpret, amend or revoke any such rules and to amend any Award Agreement; *provided* that the rights or obligations of the Holder of the Award that is the subject of any

such Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under Section 10.10. Any such grant or award under the Plan need not be the same with respect to each Holder. Any such interpretations and rules with respect to Incentive Options shall be consistent with the provisions of Section 422 of the Code. In its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which under Applicable Laws are required to be determined in the sole discretion of the Committee.

9.3 Action by the Committee. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of a Service Recipient, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

9.4 Authority of Administrator. Subject to any specific designation in the Plan and the requirements of Applicable Laws, the Administrator has the exclusive power, authority and sole discretion to:

(a) Designate Eligible Individuals to receive Awards;

(b) Determine the type or types of Awards to be granted to each Eligible Individual;

(c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the date of grant, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for vesting, lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Holder;

(g) Decide all other matters that must be determined in connection with an Award, including without limitation, cancel or redeem an outstanding Award (including but not limited to an outstanding Option with an exercise price exceeding the Fair Market Value of the underlying Shares), in exchange for cash, another Award or a combination of Awards, on terms and conditions the Administrator determines and communicates to the Holder of such outstanding Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan, including the establishment of any "blackout period";

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement;

(j) Adjust the exercise price per Share subject to an Option; and

(k) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

9.5 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

## ARTICLE 10
## MISCELLANEOUS PROVISIONS

10.1 Effective Date. This Plan shall become effective as of the date on which the Board adopts the Plan, if the Company seeks a home country practice exemption from shareholder approval pursuant to the relevant U.S. stock exchange rules applicable to foreign private issuers (the "Effective Date"). If the Board decides to submit the Plan or any amendment to the Plan to shareholder approval, the Plan or the amendment, as applicable, shall be approved by the shareholders at a meeting duly held in accordance with the applicable provisions of the Company's Memorandum of Association and Articles of Association or unanimous written approval by all the shareholders of the Company.

10.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the Effective Date. Any Awards that are outstanding on the tenth anniversary of the Effective Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

10.3 Amendment, Suspension or Termination of the Plan. At any time and from time to time, the Administrator may amend, suspend or terminate the Plan; *provided, however*, that (a) to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, unless the Company decides to follow home country practice, and (b) unless the Company decides to follow home country practice, shareholder approval is required for any amendment to the Plan that (i) increases the number of Shares available under the Plan (other than any adjustment as provided by Article 11), or (ii) permits the Administrator to extend the term of the Plan or the exercise period for an Option beyond ten years from the date of grant. Except as provided in the Plan or any Award Agreement, no amendment, suspension or termination of the Plan shall, without the consent of the Holder, impair any rights or obligations under any Award theretofore granted or awarded.

10.4 No Shareholders Rights. Except as otherwise provided herein, a Holder shall have none of the rights of a shareholder with respect to Shares covered by any Award until the Holder becomes the record owner of such Shares.

10.5 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Holder may be permitted through the use of such an automated system.

10.6 Effect of Plan upon Other Compensation Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for a Service Recipient. Nothing in the Plan shall be construed to limit the right of a Service Recipient: (a) to establish any other forms of incentives or compensation for Eligible Individuals, or (b) to grant or assume options or other rights or awards otherwise than under the Plan in connection with any proper corporate purpose including without limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, securities or assets of any corporation, partnership, limited liability company, firm or association.

10.7 Compliance with Laws. The Plan, the granting and vesting of Awards under the Plan and the issuance and delivery of Shares and the payment of money under the Plan or under Awards granted or awarded hereunder are subject to compliance with all Applicable Laws (including but not limited to securities law and margin requirements), and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under the Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by Applicable Laws, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such Applicable Laws.

10.8 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code or the Exchange Act shall include any amendment or successor thereto.

10.9 Governing Law. The Plan and any agreements hereunder shall be construed in accordance with and governed by the laws of the State of New York.

10.10 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section. Notwithstanding the foregoing or anything elsewhere in the Plan or an Award Agreement to the contrary, if a Holder is a "specified employee" as defined in Section 409A of the Code at the time of Termination of Service with respect to an Award, then solely to the extent necessary to avoid the imposition of any additional tax under Section 409A of the Code, the commencement of any payments or benefits under the Award shall be deferred until the date that is six (6) months plus one (1) day following the date of the Holder's Termination of Service or, if earlier, the Participant's death (or such other period as required to comply with Section 409A). The Company makes no representations or warranties as to an Award's tax treatment under Section 409A of the Code or otherwise. No Service Recipient will have any obligation under this Section 11.10 or otherwise to avoid the taxes, penalties or interest under Section 409A of the Code with respect to any Award and will have no liability to any Holder or any other person if any Award, compensation or other benefits under the Plan are determined to constitute noncompliant "nonqualified deferred compensation" subject to taxes, penalties or interest under Section 409A of the Code.

10.11 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Holders or any other persons uniformly.

10.12 No Right to Employment or Services. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Service Recipient to terminate any Holder's employment or services at any time, nor confer upon any Holder any right to continue in the employ or service of any Service Recipient.

10.13 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Holder pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Holder any rights that are greater than those of a general creditor of the Company, any Subsidiary or any Related Entity.

10.14 Indemnification. To the extent allowable pursuant to Applicable Laws, each member of the Committee or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Articles of Association, as a matter of Applicable Law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

10.15 Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of any Service Recipient except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

10.16 Expenses. The expenses of administering the Plan shall be borne by the Service Recipients.

10.17 Claw-back Provisions. All Awards (including any proceeds, gains or other economic benefit the Holder actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any Shares underlying the Award) will be subject to any Company claw-back policy, including any claw-back policy adopted to comply with Applicable Laws (including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) as set forth in such claw-back policy or the Award Agreement.

## ARTICLE 11
## CHANGES IN CAPITAL STRUCTURE

11.1 Adjustments. In the event of any distribution, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, reorganization of the Company, including the Company becoming a subsidiary in a transaction not involving a Corporate Transaction, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the share price of a Share, the Administrator shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1 and substitutions of shares in a parent or surviving company); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per Share for any outstanding Awards under the Plan. The form and manner of any such adjustments shall be determined by the Administrator in its sole discretion.

11.2 Corporate Transactions. Except as may otherwise be provided in any Award Agreement or any other written agreement entered into by and between the Company and a Holder, or as approved by the Administrator, if a Corporate Transaction occurs, all outstanding Awards shall be converted, assumed, or replaced by a successor as provided in Section 11.3. To the extent a Holder's Awards are not converted, assumed, or replaced by a successor as provided in Section 11.3, such Awards shall vest and become fully exercisable and all forfeiture restrictions on such Awards shall lapse, unless otherwise provided in any Award Agreement or any other written agreement entered into by and between the Company and a Holder, or as approved by the Administrator. Upon, or in anticipation of, a Corporate Transaction, the Administrator may in its sole discretion provide for (a) any and all Awards outstanding hereunder to terminate at a specific time in the future and shall give each Holder the right to exercise such Awards during a period of time as the Administrator shall determine, (b) either the cancellation of any Award for an amount of cash, property, or a combination thereof with an aggregate value equal to the amount that could have been attained upon the exercise of such Award or realization of the Holder's rights had such Award been currently exercisable or payable or fully vested (and, for the avoidance of doubt, (i) if as of such date the Committee determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Holder's rights, then such Award may be terminated by the Company without payment and (ii) in the case of a Corporate Transaction with respect to which holders of Shares receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of an Option shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Share pursuant to such Corporate Transaction over the exercise price of such Option shall conclusively be deemed valid)), or (c) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion or the assumption of or substitution of such Award by the successor or surviving corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of Shares and exercise prices.

11.3 Assumption of Awards — Corporate Transactions. In the event of a Corporate Transaction, each Award may be assumed by the successor entity or Parent thereof in connection with the Corporate Transaction. Except as provided otherwise in an individual Award Agreement, an Award will be considered assumed if the Award either is (a) assumed by the successor entity or Parent thereof or replaced with a

comparable award (as determined by the Administrator) with respect to capital shares (or equivalent) of the successor entity or Parent thereof or (b) replaced with a cash incentive program of the successor entity which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same vesting schedule applicable to such Award, with any performance targets deemed achieved at the greater of target and actual performance (as such performance targets are determined by the Administrator immediately prior to the Corporate Transaction). If an Award is assumed in a Corporate Transaction, then such Award, the replacement award or the cash incentive program automatically shall become fully vested, exercisable and payable and be released from any restrictions on transfer (other than transfer restrictions applicable to Options) and repurchase or forfeiture rights, immediately upon termination of the Holder's employment or service with all Service Recipients within twelve (12) months of the Corporate Transaction without Cause.

11.4 Outstanding Awards — Other Changes. In the event of any other change in the capitalization of the Company or corporate change other than those specifically referred to in this Article 11, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Awards outstanding on the date on which such change occurs and in the per share grant or exercise price of each Award as the Administrator may consider appropriate to prevent dilution or enlargement of rights.

11.5 No Other Rights. Except as expressly provided in the Plan, no Holder shall have any rights by reason of any subdivision or consolidation of shares of any class, the payment of any dividend, any increase or decrease in the number of shares of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to an Award or the grant or exercise price of any Award.

11.6 Section 409A. Notwithstanding anything in this Article 11 to the contrary: (i) any adjustments made pursuant to this Article 11 to Awards that constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code, and (ii) any adjustments made pursuant to this Article 11 to Awards that do not constitute a "nonqualified deferred compensation plan" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code.

**Exhibit 8.1**

## LIST OF SIGNIFICANT SUBSIDIARIES AND VIES

| **Subsidiaries** | **Place of Incorporation** |
|---|---|
| Cheetah Information Technology Company Limited | Hong Kong |
| Cheetah Technology Corporation Limited | Hong Kong |
| Hongkong Zoom Interactive Network Marketing Technology Limited | Hong Kong |
| Multicloud Limited | Hong Kong |
| Japan Kingsoft Inc. | Japan |
| Cheetah Mobile Singapore Pte. Ltd. | Singapore |
| Beijing Kingsoft Internet Security Software Co., Ltd. | People's Republic of China |
| Conew Network Technology (Beijing) Co., Ltd. | People's Republic of China |
| Beijing Kingsoft Cheetah Technology Co., Ltd. | People's Republic of China |
| Zhuhai Baoqu Technology Co., Ltd. | People's Republic of China |
| Jingdezhen Jibao Information Service Co., Ltd. | People's Republic of China |
| **Variable Interest Entities** | |
| Beijing Cheetah Network Technology Co., Ltd. | People's Republic of China |
| Beijing Conew Technology Development Co., Ltd. | People's Republic of China |
| Beijing Cheetah Mobile Technology Co., Ltd. | People's Republic of China |

**Exhibit 12.1**

**Certification by the Principal Executive Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Sheng Fu, certify that:

1. I have reviewed this annual report on Form 20-F of Cheetah Mobile Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 18, 2023

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Chief Executive Officer

**Exhibit 12.2**

**Certification by the Principal Financial Officer**
**Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Thomas Jintao Ren, certify that:

1. I have reviewed this annual report on Form 20-F of Cheetah Mobile Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 18, 2023

By: /s/ Thomas Jintao Ren
Name: Thomas Jintao Ren
Title: Chief Financial Officer

**Exhibit 13.1**

**Certification by the Principal Executive Officer**
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Cheetah Mobile Inc. (the "Company") on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sheng Fu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 18, 2023

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Chief Executive Officer

**Exhibit 13.2**

**Certification by the Principal Financial Officer**
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Cheetah Mobile Inc. (the "Company") on Form 20-F for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Jintao Ren, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 18, 2023

By: /s/ Thomas Jintao Ren
Name: Thomas Jintao Ren
Title: Chief Financial Officer

**Exhibit 15.1**

环球律师事务所
GLOBAL LAW OFFICE

北京市朝阳区建国路81号华贸中心
1号写字楼15层&20层 邮编: 100025
15 & 20/F Tower 1, China Central Place,
No. 81 Jianguo Road Chaoyang District,
Beijing 100025, China
电话/T. (86 10) 6584 6688
传真/F. (86 10) 6584 6666
www.glo.com.cn
BEIJING | SHANGHAI | SHENZHEN | CHENGDU

April 18 , 2023

Cheetah Mobile Inc.

Building No. 11

Wandong Science and Technology Cultural Innovation Park

No.7 Sanjianfangnanli

Chaoyang District, Beijing 100124

People's Republic of China

Dear Sirs,

We hereby consent to the reference of our name under the headings "Item 3. Key Information—D. Risk Factors", "Item 4. Information on the Company—B. Business Overview—Regulations" and "Item 4. Information on the Company—C. Organizational Structure" in Cheetah Mobile Inc.'s Annual Report on Form 20-F for the year ended December 31, 2022 (the "**Annual Report**"), which will be filed with the Securities and Exchange Commission (the "**SEC**") in the month of April 2023, and further consent to the incorporation by reference into the Registration Statement on Form S-8 (No. 333-199577) filed with the SEC on October 24, 2015 of the summary of our opinions and advice under the headings "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview—Regulation" and "Item 4. Information on the Company—C. Organizational Structure" in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

Global Law Office

北京市环球律师事务所 GLO BEIJING GLOBAL LAW OFFICE

**Exhibit 15.2**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement (Form S-8 File No. 333-199577) pertaining to the 2013 Equity Incentive Plan and 2014 Restricted Shares Plan of Cheetah Mobile Inc. of our report dated July 26, 2022, with respect to the consolidated financial statements of Cheetah Mobile Inc. included in this Annual Report (Form 20-F) for the year ended December 31, 2022.

/s/ Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China
Apr 18, 2023

**Exhibit 15.3**

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Cheetah Mobile Inc. on Form S-8 (FILE NO. 333-199577) of our report dated April 18, 2023, with respect to our audit of the consolidated financial statements of Cheetah Mobile Inc. as of December 31, 2022 and for the year ended December 31, 2022 appearing in the Annual Report on Form 20-F of Cheetah Mobile Inc. for the year ended December 31, 2022.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP
Beijing, China
April 18, 2023

**Exhibit 15.4**

April 18, 2023

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F dated April 18, 2023 of Cheetah Mobile Inc. and are in agreement with the statements contained in the first to fourth paragraphs of Item 16F with reference to us therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China

**Exhibit 15.5**

April 18, 2023

**VIA EDGAR**

Office of Technology
Division of Corporation Finance
U.S. Securities & Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Cheetah Mobile Inc.
Submission under the Item 16I(a) of Form 20-F

Dear Sir/Madam,

In compliance with the Holding Foreign Companies Accountable Act (the "HFCAA"), Cheetah Mobile Inc. (the "Company") is submitting via EDGAR the following information as required under Item 16I(a) of Form 20-F.

On August 22, 2022, the Company was conclusively identified by the U.S. Securities and Exchange Commission (the "SEC") as a Commission-Identified Issuer pursuant to the HFCAA because it filed an annual report on Form 20-F for the year ended December 31, 2021 with the SEC on July 26, 2022 with an audit report issued by Ernst & Young Hua Ming LLP, a registered public accounting firm formerly retained by the Company, for the preparation of the audit report on the Company's financial statements included therein. Ernst & Young Hua Ming LLP is a registered public accounting firm headquartered in mainland China, a jurisdiction where the Public Company Accounting Oversight Board (the "PCAOB") determined that it had been unable to secure complete access to inspect or investigate registered public accounting firms headquartered there until December 2022 when the PCAOB vacated its previous determination. In response to Item 16I(a) of Form 20-F, the Company believes that the following information establishes that it is not owned or controlled by a governmental entity in China.

To the Company's knowledge and based on an examination of its register of members and public filings made by its shareholders, the Company respectfully submits that it is not owned or controlled by a governmental entity in China as of the date of this submission.

As of March 31, 2023, Kingsoft Corporation Limited (HKEX: 3888) beneficially owned 46.5%, Tencent Holdings Limited (HKEX: 700) beneficially owned 16.2%, Sheng Fu, our chief executive officer and chairman of the board of directors, beneficially owned 6.9%, and Sheng Global Limited, which is wholly owned by Sheng Fu, beneficially owned 6.6% of the Company's outstanding ordinary shares, respectively. Based on an examination of the Company's register of members and public filings made by the Company's shareholders, no other shareholder owned more than 5% of the Company's outstanding ordinary shares as of March 31, 2023.

In addition, the Company is not aware of any governmental entity in China that possesses, directly or indirectly, the power to direct or cause the direction of the management

and policies of the Company, whether through the ownership of voting securities, by contract, or otherwise.

Should you have any questions or comments regarding the Company's submission set forth above, please do not hesitate to contact me, or you may contact our outside legal counsel, Steve Lin at steve.lin@kirkland.com or at (86) 10 5737 9315 (work) or (86) 186 1049 5593 (cell) of Kirkland & Ellis International LLP. Thank you.

Very truly yours,

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Chief Executive Officer

cc: Steve Lin, Kirkland & Ellis International LLP