

**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, 2023.

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

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People's Republic of China

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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: 487,212,501 Class A ordinary shares and 1,006,956,885 Class B ordinary shares, par value US\$0.000025 per share, as of December 31, 2023.

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 Rule 405 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;
- “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;
- “¥,” “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 mainland China or generated by our operating legal entities incorporated in mainland China but are attributable to customers located outside mainland China. Such revenues are primarily attributable to customers located outside mainland 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 RMB7.0999 to US\$1.00, the exchange rate on December 29, 2023 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;
- expectations regarding demand for, and market acceptance of, our products and services;
- expectations regarding our relationships with customers, suppliers, third-party service providers, strategic partners and other stakeholders;
- 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, including but not limited to Beijing Mobile, Beijing Network and Beijing Conew.

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. We exercise effective control over the consolidated variable interest entities through a series of contractual arrangements among (a) our company, (b) certain of our PRC subsidiaries, including but not limited to, Beijing Kingsoft Internet Security Software Co., Ltd., or Beijing Security, and Conew Network Technology (Beijing) Co., Ltd., or Conew Network, (c) the consolidated variable interest entities, and (d) the shareholders of the consolidated variable interest entities. External revenues contributed by the consolidated variable interest entities accounted for 33.1%, 31.8% and 42.9% of our total revenues for the years of 2021, 2022 and 2023, 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.



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 company, 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 effectiveness of our business operating, and may result in significant costs and compliance challenges, and adversely affect our business.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, Domestic Enterprises (as defined in the Trial Measures) that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. In addition, according to the Trial Measures, any future issuance or offering after our listing may also be subject to filing or report procedures of the CSRC and we are also required to report certain material matters to the CSRC after our listing. Any failure to perform such filing or reporting procedures would subject us to administrative penalties by the CSRC which could harm our reputation and may adversely affect our results of operations or financial condition.

Furthermore, on February 24, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (the “Confidentiality Provisions”), which also came into effect on March 31, 2023. Pursuant to the Confidentiality Provisions, any future inspection or investigation conducted by overseas securities regulators or the relevant competent authorities on our PRC domestic companies with respect to our overseas issuance and offering shall be carried out in a manner that is in compliance with PRC laws and regulations.

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, 2023 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 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, the Network Culture Business License for network culture business, and got Algorithm Filing for in-country deep synthesis services (service technology supporter). 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, the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures shall be deemed as the existing issuers (“Existing Issuers”). Existing Issuers are not required to complete the filing procedures immediately, but they should file with the CSRC when subsequent corporate actions such as refinancing are involved. From our perspective, we shall be deemed as an Existing Issuer based on the foregoing.

As of the date of this annual report, we are not involved in aforementioned refinancing, 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.

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 RMB200.6 million, RMB201.7 million and RMB200.6 million (US\$28.3 million) as of December 31, 2021, 2022 and 2023, 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, 2021, 2022 and 2023, certain of our PRC subsidiaries have declared dividends to our Hong Kong subsidiaries for an aggregate amount of RMB9.5 million, nil and RMB10.2 million (US\$1.4 million); 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, 2021, 2022 and 2023, Cheetah Mobile Inc. through its intermediate holding companies provided capital contribution and loans with principal amount of RMB74.2 million, RMB92.3 million and RMB109.9 million (US\$15.5 million), respectively, to its subsidiaries in China, and the subsidiaries repaid prior years loans amount to nil, nil and RMB397.7 million (US\$56.0 million) for the years ended December 31, 2021, 2022 and 2023. For the years ended December 31, 2021, 2022 and 2023, 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 RMB3.3 million, RMB9.5 million and RMB35.0 million (US\$4.9 million). For the years ended December 31, 2021, 2022 and 2023, our overseas subsidiaries provide promotion service to our PRC subsidiaries, total amount paid for such services by our PRC subsidiaries to our overseas subsidiaries were nil, nil and RMB13.9 million (US\$2.0 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, 2021, 2022 and 2023, our consolidated VIEs received debt financing of RMB91.1 million, RMB128.4 million and RMB33.6 million (US\$4.7 million) from Cayman and subsidiaries, respectively, and the VIEs repaid the principal amount of RMB121.0 million, RMB139.9 million and RMB16.3 million (US\$2.3 million), respectively to the related subsidiaries. In 2023, our subsidiaries received debt financing of RMB 87.0 million (US\$ 12.3 million) from our certain consolidated VIEs, and RMB47.0 million (US\$6.6 million) was repaid during 2023.

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, 2021, 2022 and 2023, the total amount of service fees that VIEs paid to the relevant subsidiaries related to such services was RMB155.3 million, RMB154.7 million and RMB363.0 million (US\$51.1 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 RMB33.3 million, RMB57.6 million and RMB75.8 million (US\$10.7 million), respectively for the years ended December 31, 2021, 2022 and 2023.

For the years ended December 31, 2021, 2022 and 2023, 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 wholly foreign-owned entities, or WFOEs, its other 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, 2023					
	Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total
	(RMB, in thousands)					
Revenues	—	56,465	576,693	348,433	(312,088)	669,503
Service fee revenue from VIEs and their subsidiaries	—	23,172	180,306	—	(203,478)	—
Service fee expenses charged by WFOEs and their subsidiaries	—	—	—	(203,478)	203,478	—
Share of (loss) income from WFOEs and other subsidiaries	(228,413)	—	—	—	228,413	—
Share of (loss) income from VIEs and their subsidiaries	(65,504)	(61,482)	—	—	126,986	—
Net loss	(602,898)	(106,062)	(84,599)	(64,999)	264,689	(593,869)
	For the Year Ended December 31, 2022					
	(RMB, in thousands)					
Revenues	—	80,522	834,233	344,288	(374,977)	884,066
Service fee revenue from VIEs and their subsidiaries	—	24,180	191,165	—	(215,345)	—
Service fee expenses charged by WFOEs and their subsidiaries	—	—	—	(215,345)	215,345	—
Share of (loss) income from WFOEs and other subsidiaries	(475,119)	—	—	—	475,119	—
Share of income (loss) from VIEs and their subsidiaries	3,409	3,820	—	—	(7,229)	—
Net (loss) income	(513,475)	(99,032)	(387,372)	3,792	475,396	(520,691)

For the Year Ended December 31, 2021

	Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total
			(RMB, in thousands)			
Revenues	—	206,763	742,225	320,942	(485,314)	784,616
Service fee revenue from VIEs and their subsidiaries	—	—	162,500	—	(162,500)	—
Service fee expenses charged by WFOEs and their subsidiaries	—	—	—	(162,500)	162,500	—
Share of (loss) income from WFOEs and other subsidiaries	(343,670)	—	—	—	343,670	—
Share of (loss) income from VIEs and their subsidiaries	(8,946)	(8,895)	—	—	17,841	—
Net (loss) income	(351,126)	(55,729)	(283,692)	(8,489)	345,832	(353,204)

*Selected Condensed Consolidated Balance Sheets Data*

As of December 31, 2023

	Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total
			(RMB, in thousands)			
Cash and cash equivalents	202,028	29,008	1,612,444	176,711	—	2,020,191
Short-term investments	—	—	1,023	—	—	1,023
Due from related parties, net	—	4,175	60,797	6,533	—	71,505
Others	2,715	9,130	1,303,499	58,847	—	1,374,191
<b>Total current assets</b>	<b>204,743</b>	<b>42,313</b>	<b>2,977,763</b>	<b>242,091</b>	<b>—</b>	<b>3,466,910</b>
Investments in subsidiaries	251,747	—	—	—	(251,747)	—
Contractual interests in VIEs and their subsidiaries	2,232	—	—	—	(2,232)	—
Others	152,355	101,155	1,638,905	273,859	—	2,166,274
<b>Total non-current assets</b>	<b>406,334</b>	<b>101,155</b>	<b>1,638,905</b>	<b>273,859</b>	<b>(253,979)</b>	<b>2,166,274</b>
Amount due from Cheetah Mobile Inc.	—	187	523,349	—	(523,536)	—
Amount due from WFOEs	2,036	—	693,332	86,754	(782,122)	—
Amount due from other subsidiaries	2,602,611	826,259	—	801,296	(4,230,166)	—
Amount due from VIEs and their subsidiaries	—	342,086	774,265	—	(1,116,351)	—
Amount due from Group companies	2,604,647	1,168,532	1,990,946	888,050	(6,652,175)	—
<b>Total assets</b>	<b>3,215,724</b>	<b>1,312,000</b>	<b>6,607,614</b>	<b>1,404,000</b>	<b>(6,906,154)</b>	<b>5,633,184</b>
Due to related parties	—	240	76,073	7,834	—	84,147
Others	27,052	47,816	2,329,229	239,901	—	2,643,998
<b>Total current liabilities</b>	<b>27,052</b>	<b>48,056</b>	<b>2,405,302</b>	<b>247,735</b>	<b>—</b>	<b>2,728,145</b>
<b>Total non-current liabilities</b>	<b>151,272</b>	<b>6,803</b>	<b>83,571</b>	<b>2,837</b>	<b>—</b>	<b>244,483</b>
Amount due to Cheetah Mobile Inc.	—	1,916	2,544,735	—	(2,546,651)	—
Amount due to WFOEs	312	—	800,118	302,086	(1,102,516)	—
Amount due to other subsidiaries	581,217	719,740	—	845,132	(2,146,089)	—
Amount due to VIEs and their subsidiaries	—	126,753	730,166	—	(856,919)	—
Amount due to Group companies	581,529	848,409	4,075,019	1,147,218	(6,652,175)	—
<b>Total liabilities</b>	<b>759,853</b>	<b>903,268</b>	<b>6,563,892</b>	<b>1,397,790</b>	<b>(6,652,175)</b>	<b>2,972,628</b>

*Selected Condensed Consolidated Balance Sheets Data (Continued)*

	As of December 31, 2022					
	Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total
	(RMB, in thousands)					
Cash and cash equivalents	130,746	20,588	1,142,733	221,732	—	1,515,799
Restricted cash	—	—	696	—	—	696
Short-term investments	—	—	93,147	63,035	—	156,182
Due from related parties, net	—	9,897	163,496	25,706	—	199,099
Others	111,986	5,308	1,092,211	42,414	—	1,251,919
<b>Total current assets</b>	<b>242,732</b>	<b>35,793</b>	<b>2,492,283</b>	<b>352,887</b>	<b>—</b>	<b>3,123,695</b>
Investments in subsidiaries	397,930	—	—	—	(397,930)	—
Contractual interests in VIEs and their subsidiaries	76,505	85,861	—	—	(162,366)	—
Due from related parties, net	—	—	3,840	—	—	3,840
Others	477,366	31,888	1,139,611	363,019	—	2,011,884
<b>Total non-current assets</b>	<b>951,801</b>	<b>117,749</b>	<b>1,143,451</b>	<b>363,019</b>	<b>(560,296)</b>	<b>2,015,724</b>
Amount due from Cheetah Mobile Inc.	—	187	485,280	4,876	(490,343)	—
Amount due from WFOEs	1,910	—	573,293	82,583	(657,786)	—
Amount due from other subsidiaries	2,343,678	886,105	—	649,670	(3,879,453)	—
Amount due from VIEs and their subsidiaries	—	340,807	770,390	—	(1,111,197)	—
Amount due from Group companies	2,345,588	1,227,099	1,828,963	737,129	(6,138,779)	—
<b>Total assets</b>	<b>3,540,121</b>	<b>1,380,641</b>	<b>5,464,697</b>	<b>1,453,035</b>	<b>(6,699,075)</b>	<b>5,139,419</b>
Due to related parties	—	404	8,945	14,280	—	23,629
Others	23,700	41,819	1,476,813	212,566	—	1,754,898
<b>Total current liabilities</b>	<b>23,700</b>	<b>42,223</b>	<b>1,485,758</b>	<b>226,846</b>	<b>—</b>	<b>1,778,527</b>
<b>Total non-current liabilities</b>	<b>181,508</b>	<b>19,656</b>	<b>52,603</b>	<b>2,339</b>	<b>—</b>	<b>256,106</b>
Amount due to Cheetah Mobile Inc.	—	1,648	2,532,691	—	(2,534,339)	—
Amount due to WFOEs	449	—	875,256	299,888	(1,175,593)	—
Amount due to other subsidiaries	296,256	584,148	—	843,260	(1,723,664)	—
Amount due to VIEs and their subsidiaries	4,877	123,503	576,803	—	(705,183)	—
Amount due to Group companies	301,582	709,299	3,984,750	1,143,148	(6,138,779)	—
<b>Total liabilities</b>	<b>506,790</b>	<b>771,178</b>	<b>5,523,111</b>	<b>1,372,333</b>	<b>(6,138,779)</b>	<b>2,034,633</b>

## Selected Condensed Consolidated Cash Flows Data

For the Year Ended December 31, 2023						
Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total	
(RMB, in thousands)						
Net cash (used in)/provided by operating activities	(12,315)	(11,949)	606,501	(31,775)	—	550,462
Net cash provided by/(used in) investing activities	82,830	7,946	(432,969)	8,765	284,367	(49,061)
Net cash (used in)/provided by financing activities	(2,503)	12,423	289,892	(22,223)	(284,367)	(6,778)

  

For the Year Ended December 31, 2022						
Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total	
(RMB, in thousands)						
Net cash (used in)/provided by operating activities	(26,054)	(27,339)	(525,259)	154,403	—	(424,249)
Net cash provided by/(used in) investing activities	137,160	3,080	(23,696)	(98,598)	171,106	189,052
Net cash provided by/(used in) financing activities	—	36,912	867	128,461	(171,106)	(4,866)

  

For the Year Ended December 31, 2021						
Cheetah Mobile Inc.	WFOEs	Other Subsidiaries	VIEs and Their Subsidiaries	Eliminations	Consolidated Total	
(RMB, in thousands)						
Net cash provided by/(used in) operating activities	666	(52,219)	(69,715)	209,357	14,722	102,811
Net cash (used in)/provided by investing activities	(864,999)	(17,177)	268,983	(255,027)	1,089,056	220,836
Net cash provided by/(used in) financing activities	891,960	18,510	92,575	91,093	(1,103,778)	(9,640)

### 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. All the operational risks associated with being based in and having operations in mainland China as discussed in relevant risk factors under “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry” also apply to operations in Hong Kong. With respect to the legal risks associated with being based in and having operations in mainland China as discussed in relevant risk factors under “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure” and “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China,” the laws, regulations and the discretion of mainland China governmental authorities discussed in this annual report are expected to apply to mainland China entities and businesses, rather than entities or businesses in Hong Kong which operate under a different set of laws from mainland China. 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.

- If our products and services, including our service robots, our AI-powered business solutions, our advertising agency services and multi-cloud management services, fail to offer a good experience and meet customer expectations, our business, results of operations and reputation would be materially and adversely affected.
- If our expansion into new businesses is not successful, our results of operations and growth prospects may 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 of internet and artificial intelligence 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 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.*

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;
- we do not maintain our brand image, or our reputation is damaged; or
- any other unexpected events or changes disrupt our operations in China or elsewhere.

We have experienced a decline in users and monthly active users of certain of our products and services in recent years. A number of factors may have contributed to this decline, including increased competition, changes in consumer preferences and spending, and challenges in maintaining user engagement over time. If these unfavorable trends continue or worsen, they could have a material adverse impact on our results of operations and financial condition. Lower user and active user metrics can directly translate to decreased revenues and profits. They may also indicate deeper challenges in continuing to attract new users or maintain our relevance in the marketplace amid shifting consumer demands. However, there can be no guarantee that our efforts to reverse the declines in users and active users will succeed. If declines persist despite our initiatives, our results of operations, financial performance and growth prospects could be materially and adversely impacted. 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.

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 base 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.

***If our products and services, including our service robots, our AI-powered business solutions, our advertising agency services and multi-cloud management services, fail to offer a good experience and meet customer expectations, our business, results of operations and reputation would be materially and adversely affected.***

A key part of our business strategy depends on our ability to provide high-quality products and services, including our service robots, AI-powered business solutions, advertising agency services and multi-cloud management services. Any actual or perceived reduction in the quality or performance of our offerings could damage our reputation and result in customer dissatisfaction. Our products and services may contain undetected errors, defects or vulnerabilities, especially when first introduced or when new models or versions are released. If our products do not perform in line with customer expectations, it could negatively impact our brand affinity and customer loyalty. We may also experience quality control issues as we scale our operations, expand our product and service offerings, and integrate new technologies. If we are unable to provide consistent and high-quality customer service, respond quickly to technical issues, or satisfy customer demands in a timely manner, we may lose customers and damage our brand image and reputation. Failure to maintain high-quality customer service and technical support could materially and adversely affect our results of operations and prospects. Additionally, any negative publicity related to our products and services, regardless of its accuracy, could further damage our business, brand image and reputation. Social media amplification of any actual or perceived issues with our offerings could rapidly and significantly harm our business and financial performance. If we are unable to continue offering high-quality, innovative and differentiated products and services that meet or exceed customer expectations, our competitive position, results of operations and financial condition could be materially and adversely impacted.

***If our expansion into new businesses is not successful, our results of operations and growth prospects may be materially and adversely affected***

As part of our strategic evolution, we are expanding our offerings to increasingly serve the needs of corporate customers with the application of cutting-edge technologies. This expansion includes the introduction and development of, among others, service robots and AI-powered business solutions. This strategic pivot is aimed at diversifying our revenue streams and capturing new market opportunities within the corporate sector.

While we believe this expansion aligns with long-term market trends and positions us to capitalize on the growing demand for corporate digital transformation solutions, it involves inherent risks and uncertainties. The successful execution of this strategy is contingent upon several factors, including but not limited to our ability to:

- develop or acquire new technologies and services that are competitive and meet the needs of corporate customers;
- scale our infrastructure and capabilities to support the delivery of these new services;
- navigate the complex and evolving regulatory environment that governs corporate data management and privacy;
- attract, retain, and effectively integrate new talent specialized in these emerging areas; and
- establish and maintain strong relationships with corporate customers, including through effective sales and marketing strategies.

The expansion into new businesses requires substantial investment in research and development, marketing, and personnel. These investments are subject to the risk that they will not result in the successful development and commercialization of viable products and services, or that they will not be recovered through profitable operations.

If we are unable to successfully execute our expansion strategy or if our new business initiatives do not gain the market acceptance we anticipate, our results of operations and growth prospects could be materially and adversely affected. An unsuccessful expansion could result in significant unrecovered investments and may divert resources and focus from our traditional business operations. Furthermore, failure to achieve expected returns on our investments in new business segments could negatively impact our financial condition and operating results.

Our expansion into service robots and AI-powered business solutions represents a significant transformation in our business model. While we believe these attempts will create new development opportunities for our future success, our ability to achieve the pre-

determined strategic objectives is subject to inherent risks. If our expansion fails to deliver the operating results we anticipate, our business, results of operations, and financial position could 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 2021, 2022 and 2023, our five largest customers in aggregate contributed approximately 35.6%, 46.3% and 29.2% 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.

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

We operate in the rapidly evolving internet and artificial intelligence 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 the 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;
- conduct effective and efficient sales and marketing to support our business expansion, particularly our development and promotion of new product and service offerings;
- maintain our relationships with important suppliers, such as bandwidth suppliers and material 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;
- enhance our capabilities to operate and compete in a global market in the face of increasing geopolitical tensions and anti-multilateralism; 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. Meanwhile, in the dynamic landscape of today's market, venturing into new business or strengthening our existing business lines, such as service robots and AI-powered business solutions, presents us with a complex array of risks and uncertainties that are integral to competing in rapidly evolving industries. The necessity for continuous research and development to sustain a competitive edge, coupled with the financial strain of capital investments, may significantly impact our profitability and operational capacity. Expanding into new geographic markets brings additional challenges, including navigating complex regulatory environments, cultural nuances, and political instability, which could hinder our expansion efforts. Ethical and societal considerations surround AI and service robots add layers of operational challenges. These factors collectively pose substantial risks and uncertainties for our business operations, revenue growth, and financial condition, as we continue to compete with other market players as regards our existing business while expanding our business to cover additional evolving industries.

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 service robot, multi-cloud management business, overseas advertising business and AI-empowered solutions globally. In addition, we compete with all major internet companies for user attention and advertising spend.

As we expand or enhance our business presence across evolving technology landscapes, we face increased competition associated with different technology domains. Since November 30, 2023, we have consolidated the financial results of Beijing OrionStar, a company focusing on the research and development of AI, into our consolidated financial statements. Meanwhile, we have also been stepping up efforts to strengthen our business related to large models and artificial intelligence generated content ("AIGC"). However, many of these sectors on which we focus are undergoing rapid evolution and attracting intense competition. For example, in robotics, hardware capabilities are progressing quickly, allowing more players to enter the market with advanced automation solutions. On the AIGC front, generative AI techniques are developing at a tremendous pace thanks to recent breakthroughs in large language models. These swift technological advancements have drawn major attention and investment from technology giants at home and abroad. As consumer demand for smart robotics and AIGC solutions grows, additional well-funded competitors are likely to emerge. While we have solid expertise and capabilities, the ongoing evolution of these sectors may bring significant competitive threats from new and existing players aiming to capitalize on the next wave of innovation.

In addition, 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, it 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 and continue exposing to a number of risks, including:

- challenges in formulating effective marketing strategies targeting users and customers 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 user, advertiser and customer demands as well as their marketing practices and conventions;
- differences in user, advertiser and customer reception and perception of our products and services 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. 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. For example, on February 20, 2020, our company's Google Play Store, Google AdMob and Google AdManager accounts were disabled by Google, which adversely affected our ability to attract new users and generate revenue from Google. Decisions like this made by third-party mobile application distribution channels may significantly limit the exposure of our products and harm our reputation, which could materially and adversely affect our results of operations, financial performance and growth prospects.

***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 Doba 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. 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 have limited experience commercializing our service robots at a large scale and may not be able to do so efficiently or effectively.***

Our company has limited experience in scaling the commercialization of our service robots, and there is a risk that we may not achieve this expansion efficiently or effectively. A critical component of our strategic plan for our service robot line is to expand our sales, marketing, training, customer support, and maintenance services. This expansion includes recruiting staff who possess the requisite expertise. However, managing and sustaining this growth is both costly and complex. If we are unable to utilize our organization effectively, it could hinder our ability to increase sales, as well as impede the introduction and acceptance of our service robots into new markets.

Furthermore, decisions made in an effort to manage costs, particularly those related to staffing in sales, marketing, and customer support, could inadvertently harm our revenue streams. Missteps in these areas might undermine the strength of our sales and marketing initiatives, diminish our service and maintenance capabilities, or degrade the quality of customer service we provide. Each of these potential outcomes could adversely affect our company's market penetration and growth prospects.

***We are substantially reliant on our relationships with suppliers and service providers for the parts and components in our robots, as well as for the manufacture of our service robots. If any of these suppliers or service partners choose to not do business with us, then we would have significant difficulty in procuring and producing our service robots and our business prospects would be significantly harmed.***

Our service robots contain hundreds of components which are assembled by third-party manufacturing partners. Collaboration with third parties for the manufacturing of service robots is subject to risks with respect to operations that are beyond our control. Global supply chain problems directly impact our ability to obtain these components cost-effectively. We could experience delays to the extent



our current or future partners do not continue doing business with us, meet agreed upon timelines, experience capacity constraints or otherwise are unable to deliver components or manufacture service robots as expected. Failure to secure supplier agreements for components that may face availability constraints due to supply chain disruptions can result in higher prices for those components, which in turn increases the cost of manufacturing service robots and result in an adverse financial impact on our delivery economics.

As a company in the early stages of expanding our service robot offerings, there is uncertainty around future market demand and production requirements. If adoption of our robots accelerates rapidly, we may need to ramp up manufacturing substantially to fulfill increased orders. However, scaling production could pose challenges given our reliance on third-party suppliers and manufacturers. We cannot guarantee that our existing network of suppliers and service providers will have the capacity to expand their operations and output at the pace or to the extent needed to meet our evolving production needs. Supplier capacity limitations could result in delays in fulfilling robot orders and launching new models, potentially inhibiting our growth. Additionally, rapidly increasing production could strain quality control and supply chain logistics. If our partners are unable to keep pace with our production expansion or fail to maintain quality standards during such growth, it could damage customer trust and satisfaction in our service robot offerings.

There is a risk of potential disputes with partners, and we could be affected by adverse publicity related to our partners whether or not such publicity is related to their collaboration with us. Our ability to successfully build a premium brand could also be adversely affected by perceptions about the quality of our partner manufacturers' robots or other robots manufactured by the same partner. In addition, although we intend to be involved in material decisions in the supply chain and manufacturing process, given that we also rely on our partners to meet our quality standards, there can be no assurance that we will be able to maintain high quality standards.

We may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the third party, and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business.

***Our operating results could be materially harmed if we are unable to accurately forecast customer 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 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 2021, 2022, and 2023, our impairment of inventory were RMB7.6 million, nil and RMB2.6 million (US\$0.4 million), respectively. 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 2021, 2022 and 2023, we have paid for investments and acquisitions in an aggregate

amount of RMB9.5 million, RMB69.6 million and RMB292.4 million (US\$41.2 million), respectively. If these investments and acquired business 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 and goodwill. In 2021, 2022 and 2023, our impairment of investments were RMB395.0 million, RMB262.5 million and RMB578.3 million (US\$81.5 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 are determined to be an investment company under the Investment Company Act of 1940, applicable restrictions could have a material adverse effect on our business and the price of our ADRs and Class A ordinary shares.***

We do not believe we are subject to regulation under the Investment Company Act of 1940, as amended (the "40 Act"). 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. At the same time, we actively engages in the independent research and development of its AI technologies, including LLM technologies. We provides advertising services to advertisers worldwide, multi-cloud management platform to companies globally, as well as AI-powered business solutions and service robots to our customer. In connection therewith, our company and certain of our subsidiaries hold interests in securities, including, among other things, minority interests in operating companies and investment funds. Following our analysis under the 40 Act and relevant guidance, we believe each of our company and our subsidiaries either does not meet the definition of "investment company" under the 40 Act because it holds less than 40% of its assets (exclusive of government securities and cash items) in the form of securities or is exempt from registration under Rule 3a-1 or Rule 3a-3 under the 40 Act. We intend to continue to conduct our operations so that we will not be deemed an investment company.

If, at any time, we become or are determined by the SEC to be an investment company, we would become subject to regulation under the 40 Act. In these circumstances, after giving effect to any applicable grace periods, we may be required to register as an investment company, which could result in significant registration and compliance costs, could require changes to our corporate governance structure and financial reporting and could restrict our activities going forward. In addition, if we were to become subject to the 40 Act, any violation of the 40 Act could subject us to material adverse consequences, including potentially significant regulatory penalties and the possibility that certain of our contracts would be deemed unenforceable.

***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 revenue increased from RMB784.6 million in 2021 to RMB884.1 million in 2022 and decreased to RMB669.5 million (US\$94.3 million) in 2023. 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 2023, revenues from our Internet business accounted for 67.2% 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 and artificial intelligence 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, the Cyberspace Administration of China, or CAC, and the State Administration for Market Regulation, or SAMR, 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, Computer Information System Security Products Sales License for our mobile and PC security applications, the Network Culture Business License for network culture business, and Algorithm Filing for in-country deep synthesis services (service technology supporter). These licenses and filing 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 or filing in a timely manner or that these licenses and filing are sufficient to conduct all of our present or future business.

Also, according to the current relevant regulations of AIGC, large language models shall be got Algorithm Filing and Large Language Model Filing. As of the date of this annual report, our large language model, “OrionStar”, has already been got Algorithm Filing for in-country deep synthesis services (service technology supporter), and the large language model filing materials has been submitted, which is expected to be completed soon. However, the AI industry in which we operate is highly regulated. Other than large language models, mobile applications based on large language models shall also be required to get Algorithm Filing and pass security assessment, and requirements of different application markets varies. Therefore, we cannot assure that we can successfully renew current licenses, filings or assessments required for our business in a timely manner or that these licenses, filings or assessments are sufficient to conduct all of current or future business. If we fail to obtain, renew or maintain any of the requisite licenses or approvals or make necessary and appropriate filings in any of the jurisdictions where we have business operations, we may be subject to various penalties, including fines, discontinuation or restriction of our business operations.

Considerable uncertainties also 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 37.8% voting power of our company. Mr. Sheng Fu has approximately 47.6% 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 processes a large volume of business data and personal data.

In terms of business data, if the customers’ business data is leaked, especially core data, we may violate laws and regulations such as the Civil Code, which may result in bearing liability for breach of contract or tort. Another significant challenge to our business data is the secure storage of confidential information and its secure transmission over public networks. Therefore, we need to comply with the provisions of the Data Security Law, the Measures for the Security Assessment of Cross-border Data Transfer, the Cybersecurity Review Measures and other applicable regulations. 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. Any failure or perceived failure to comply with all applicable data privacy and protection laws and regulations or to take prompt rectification actions as required by the enforcement authorities, or any failure or perceived failure of our business partners to do

so, or any failure or perceived failure of our employees to comply with our internal control measures, especially the data-related measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could damage our reputation, discourage current and potential users and customers from using our products or services and subject us to fines, damages and rectification, which could have a material adverse effect on our business and results of operations.

In terms 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 than RMB10,000 but not more than RMB100,000.

Our mobile applications, websites and products 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.

Since 2021, the PRC government authorities have increasingly focused on the protection of personal information and are improving the legislative system on information and data security continuously. For example, the SCNPC promulgated the Data Security Law on June 10, 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure on July 30, 2021, the CAC released the Regulations on the Network Data Security (Draft for Comments) on November 14, 2021, the CAC promulgated the

Provisions on Regulating and Facilitating Cross-border Data Flow (Draft for Comments) on September 28, 2023, and the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, or the Security Assessment Measures on July 7, 2022. For more details of the relevant regulations, see “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Information Security.”

As of the date of this annual report, we have not been informed as a critical information infrastructure operator or a cross-border data transfer by any government authorities, and there are still uncertainties in the interpretation and enforcement of the PRC laws. 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, a critical information infrastructure operator, etc., we will be subject to the relevant requirements.

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 February 24, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (the “Confidentiality Provisions”), which came into effect on March 31, 2023. Pursuant to the Confidentiality Provisions, any future inspection or investigation conducted by overseas securities regulators or the relevant competent authorities on our PRC domestic companies with respect to our overseas issuance and offering shall be carried out in a manner that is in compliance with PRC laws and regulations.

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 2021, 2022 and 2023, we recorded RMB7.2 million, RMB7.9 million and RMB33.6 million (US\$4.7 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, 2023, we concluded that our internal control over financial reporting was effective as of December 31, 2023. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.”

***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, outbreaks of health pandemics or other extraordinary 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.

#### **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 internet information services and value-added telecommunication services 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, 2021, 2022 and 2023. 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 42.9% of our revenues in 2023. 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, Mr. 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, Mr. 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, 2024, Kingsoft Corporation, one of our principal shareholders, and Mr. Sheng Fu, directly or through their holding vehicles, together beneficially own an aggregate of 53.8% of our total outstanding Class A and Class B ordinary shares, and 72.7% 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 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.”

On February 17, 2023, the CSRC issued the Trial Administrative Measures and five supporting guidelines, 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.

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.

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.***

The global macroeconomic environment was, and may continue to be 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 global economy has not fully recovered from the negative impact caused by the previous pandemic. 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 brutal wars 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 internet and artificial intelligence 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.

On July 10, 2023, the CAC, consented by NDRC Ministry of Education, Ministry of Science and Technology, MIIT, Ministry of Public Security, National Radio and Television Administration, promulgated the Provisional Administrative Measures for Generative Artificial Intelligence Services (“Generative Artificial Intelligence Services Measures”), effective on August 15, 2023. The Generative Artificial Intelligence Services Measures impose compliance requirements for providers of generative AI services to the general public within the territory of PRC. The Generative Artificial Intelligence Services Measures provide, among other things, that the provider of generative AI services of text, image, audio or video to the general public shall (i) assume the responsibilities as the producers of the AI-generated content thereon, and (ii) any provider of generative artificial intelligence services with attribute of public opinions or capable of social mobilization shall conduct security assessment in accordance with the relevant regulations, and complete the formalities for algorithm filing, change or deregistration in accordance with Provisions on the Administration of Algorithm-generated Recommendations for Internet Information Services. As of the date of this annual report, our large language model, “OrionStar”, has already been got Algorithm Filing for in-country deep synthesis services (service technology supporter), and the large language model filing materials has been submitted, which is expected to be completed soon. We also have some application products based on large language model passing the security assessment as required by various application markets. With our PRC Legal Advisor's view as mentioned above, we are of the view that the Generative Artificial Intelligence Services Measures will not have a material adverse impact on our current and future business operations and financial performance. Nevertheless, there can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our PRC Legal Advisor, and it is also possible that the PRC government authorities may require us to apply for security assessment or complete the other filing, change or deregistration formalities of algorithms for other reasons.

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](http://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.

There is uncertainty as to whether the judgment of United States courts will be directly enforced in Hong Kong, as the United States and Hong Kong do not have a treaty or other arrangements providing for reciprocal recognition and enforcement of judgments of courts of the United States in civil and commercial matters. However, a foreign judgment may be enforced in Hong Kong at common law by bringing an action in a Hong Kong court since the judgment may be regarded as creating a debt between the parties to it, provided that the foreign judgment, among other things, is a final judgment conclusive upon the merits of the claim and is for a liquidated amount in a civil matter and not in respect of taxes, fines, penalties, or similar charges. Such a judgment may not, in any event, be so enforced in Hong Kong if (a) it was obtained by fraud; (b) the proceedings in which the judgment was obtained were opposed to natural justice; (c) its enforcement or recognition would be contrary to the public policy of Hong Kong; (d) the court of the United States was not jurisdictionally competent; or (e) the judgment was in conflict with a prior Hong Kong judgment.

***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 United 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.

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. Also, on February 24, 2023, CSRC and other three PRC regulatory authorities jointly issued the Confidentiality and Archives Administration Provisions, which will take effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. As the Confidentiality and Archives Administration Provisions are relatively new, there are uncertainties with respect to their interpretation and implementation. 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 located in Guangdong-Macao Deep Cooperation Zone which also qualify as encouraged industrial enterprises and meet the substantive operational requirements, 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. On December 4, 2023, the SAFE promulgated Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment, which took effect on December 4, 2023, providing that an enterprise meeting certain conditions may participate in the cross-border financing facilitation business in accordance with the relevant provisions, and borrow foreign debts at its discretion within a certain amount. 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.

With respect to our Hong Kong entities, although currently there are not equivalent or similar restrictions or limitations in Hong Kong on cash transfers in, or out of, our Hong Kong entities (including currency conversion), if certain restrictions or limitations in mainland China were to become applicable to cash transfers in and out of Hong Kong entities (including currency conversion) in the future, the funds in our Hong Kong entities, likewise, may not be available to meet our currency demand.

***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 entered into some hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may continue 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. Although currently there are not equivalent or similar restrictions or limitations in Hong Kong on cash transfers in, or out of, our Hong Kong entities (including currency conversion), if certain restrictions or limitations in mainland China were to become applicable to cash transfers in and out of Hong Kong entities (including currency conversion) in the future, the funds in our Hong Kong entities, likewise, may not be available to meet our currency demand. 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. 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 were 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 ceased to be identified as a “Commission-Identified Issuer” under the HFCAA for the fiscal year ended December 31, 2023 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 completed inspection in 2020. As of the date of this annual 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, annual shareholders' meeting, shareholder approval of equity-compensation plans and a majority of independent directors. We obtained the board approval but not shareholder approval for adopting the 2023 Plan, and did not hold an annual shareholders' meeting in 2023. 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 with limited liability 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 53.8% of our total outstanding shares, representing 72.7% of our total voting power as of March 31, 2024, 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 depository are closed, or at any time if we or the depository 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, 2023, 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, after applying applicable look-through rules, 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 is attributable to assets that 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 value, nature and 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, 2023, although there can be no assurance in this regard.

If we are a PFIC in any taxable year (as we believe we are for the 2023 taxable year and the prior two years), a U.S. holder (as defined in "Item 10. Additional Information— E. Taxation—United States Federal Income Taxation") will be subject to special and adverse tax rules with respect to any "excess distribution" received from the Company or and any gain recognized on the sale or other disposition of the ADSs or Class A ordinary shares. Further, if we are a PFIC for any year during which a U.S. holder holds the ADSs or our Class A ordinary shares (as we believe we are for the 2023 taxable year and the prior two years), 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, our applicable PRC subsidiaries, Beijing Security and Conew Network and us. 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 17.25% 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. Founded by Mr. Sheng Fu, the chief executive officer and director of our company. Beijing OrionStar is an AI solution and service robot provider headquartered in Beijing with focusing on the research and development of artificial intelligence (“AI”). 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 RMB100.0 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 November 2023, we acquired an aggregate of 35.17% equity interest of Beijing OrionStar from certain of the existing shareholders of Beijing OrionStar, including Mr. Sheng Fu, with an aggregate cash consideration of RMB268.7 million (US\$37.8 million) to the selling shareholders of Beijing OrionStar, including RMB8.0 million (US\$1.1 million) to Mr. Sheng Fu. Upon completion of the transaction, our equity interest in Beijing OrionStar increased to 72.91% and we began to consolidate the financial results of Beijing OrionStar into our consolidated financial statements since November 30, 2023. In Jan, 2024, we signed a share purchase agreement to further invest in Beijing OrionStar, which enable us to make a cash investment of US\$16.7 million in Beijing OrionStar and exercise our right under the convertible loan with principal amount of RMB100.0 million that we provided to Beijing OrionStar in 2021 to convert all of the principal and the accrued interest into Beijing OrionStar's equity interest. Additionally, Gongqingcheng Orion Industrial Investment Center (Limited Partnership) (the "Fund") made an investment of RMB150 million into Beijing OrionStar. Conew Network, is one of the limited partners of the Fund and currently owns approximately 49.5% interest in the Fund. Upon the completion of the investment, our equity interest in Beijing OrionStar is expected to be 72.10%, without taking into account the stake it holds indirectly through the Fund; we are expected to hold, both directly and indirectly, 73.95% equity interest in Beijing OrionStar, including the stake it holds indirectly through the Fund.

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 2021, 2022 and 2023, we have paid for investments and acquisitions in an aggregate amount of RMB9.5 million, RMB69.6 million and RMB292.4 million (US\$41.2 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](http://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. Pursuant to which, Kingsoft Corporation has delegated approximately 37.8% 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.

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 with a commitment to AI innovation. We provide comprehensive products and services on PCs and mobile devices globally. We generate revenues primarily from 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.

Subsequent to the acquisition of Beijing OrionStar, we enlarged our business to provide service robots globally to restaurants, supermarkets, exhibitions and so on. Through a full range of AI technologies, our service robots can be customized and are able to provide comprehensive solutions to optimize efficiency, improve sales, ensure service standardization and enhance customer satisfaction. At the same time, we actively engage in the independent research and development of our AI technologies, including large language model ("LLM") technologies to provide AI-powered business solutions for enterprise customers, enabling them to apply LLM technology, digitalize employees and improve operational efficiency. Although our revenue generated by these business lines was immaterial, we expect our revenue generated by these AI related businesses to have growth potential in the future.

### **Our Core Offerings for Users and Customers**

#### **Internet Products**

##### ***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.

### ***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.

### ***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**

#### ***Delivery and Reception Robots***

Delivery and reception robots are provided globally to restaurants, supermarkets, shopping malls, exhibitions and so on. Through a full range of AI technologies, our service robots can be customized and are able to provide comprehensive solutions to optimize efficiency, improve sales, ensure service standardization and enhance customer satisfaction. Our E-Coupon vending robots provided in shopping mall and restaurants also 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.

#### ***AI-powered business solutions***

We actively engage in the independent research and development of our AI technologies, including LLM technologies to provide AI-powered business solutions for enterprise customers, enabling them to apply LLM technology, digitalize employees and improve operational efficiency.

## **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 are actively engaged in the research and development of AI technologies including LLM technologies. Our AI technologies includes our capabilities on automatic speech recognition, computer vision, and indoor navigation, as well as capabilities in the research and development of service robot operating systems, application development, and the design and manufacturing of full-stack hardware for service robots. We also launched Juyan, a large language model ("LLM") technology application that provides a one-stop solution for LLM consulting and AI services for enterprise customers, enabling enterprises to apply LLM technology, digitalize employees and improve operational efficiency.

### ***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, global clients and distributors who use and sale our service robots globally and enterprise customers who are interested in applying LLM technology to improve operational efficiency. In 2021, 2022 and 2023, our five largest customers in aggregate contributed approximately 35.6%, 46.3% and 29.2% 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. 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 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, 2024, we had 2,309 patents in mainland China and 144 patents outside mainland China relating to our software and other proprietary technology. Of such total 2,453 patents, 2,283 patents were either independently or jointly held by Zhuhai Juntian, Beijing Security, Conew Network, Beijing OrionStar and our other wholly-owned or controlled subsidiaries. 99 patents were either independently or jointly held by Beijing Mobile, Beijing Network, and our other VIEs, and 71 patents were jointly owned by our wholly-owned subsidiaries and VIEs. The 2,453 patents will expire between September 2025 and March 2042. In addition to the aforementioned patents, as of March 31, 2024, we had a total of 335 patent applications in mainland China and 8 patents applications outside mainland 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 324 patent applications, and the VIEs, had independently or jointly filed 19 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, 2024, we had registered 805 copyrights, including 712 software copyrights and 93 artwork copyrights. In relation to our core proprietary technologies, Beijing Mobile and Beijing Network, and our other VIEs, independently or jointly owned 187 software copyrights, Zhuhai Juntian, Beijing Security, Conew Network, Beijing OrionStar and our other wholly-owned or controlled subsidiaries independently or jointly owned 480 software copyrights, and 45 software copyrights were jointly owned by our wholly-owned subsidiaries and VIEs. All the software copyrights owned by the VIEs have been published between December 2012 and March 2024. Software copyrights are protected until the end of the 50th calendar year starting from the date of first publication.

**Trademarks.** As of March 31, 2024, we had registered 2,477 trademarks in mainland China. In addition, we currently had filed 49 trademark applications in mainland China. We had 1,686 registered trademarks outside mainland China, and we had filed 180 trademark applications outside mainland China.

**Domain names.** As of March 31, 2024, we had registered 392 domain names, including [www.cmcm.com](http://www.cmcm.com), [www.duba.com](http://www.duba.com), [www.ijinshan.com](http://www.ijinshan.com), [www.duba.net](http://www.duba.net), [liebao.cn](http://liebao.cn) and [orionstar.com](http://orionstar.com).

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, algorithm, 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.

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 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, MIIT 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.

On July 21, 2023, the MIIT issued the Circular of the Ministry of Industry and Information Technology on the Record-filing of Mobile Internet Applications. According to such circular, all Apps shall complete filings with the provincial communications administration of the place where the operator is located. For all Apps that began to operate before July 21, 2023, the filing shall be completed by March 2024, and for all Apps that began to operate after July 21, 2023, the filing shall be completed before the Apps' operation. Upon receipt of the filing materials submitted by any App operator, the provincial communications administration shall process the filing within 20 working days by issuing a filing number and disclosing the filing information to the public, provided that the materials are complete and accurate; otherwise, the filing shall not be processed. If the APP information is changed or deregistered, the APP operator shall report for such change or withdrawal with the original filing authority.

### ***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***

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 Tentative Measures for Internet Publication Administration, which became effective on August 1, 2002. 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, were subsequently amended on December 15, 2017, and were repealed on July 10, 2019. 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;
- Interim Measures for the Administration of Internet Advertisements, promulgated by the SAIC on July 4, 2016 and effective on September 1, 2016; and

- Advertisement Law and the Measures for the Administration of Internet Advertisements, promulgated by the SAMR on February 25, 2023 and implemented on May 1, 2023.

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.

According to the Advertisement Law and the Measures for the Administration of Internet Advertisements promulgated by the SAMR on February 25, 2023 and implemented on May 1, 2023, advertising operators and advertising distributors shall establish, improve and implement the management systems regarding acceptance, registration, review and filing of the internet advertising business in accordance with the following provisions: (i) verify and register the information of advertisers, such as their truthful identity, addresses and valid contact details, set up advertisement files and check and update them on a regular basis, record and maintain relevant electronic data of advertising activities. Relevant files shall be kept for not less than three years from the date of termination of the advertisement release; (ii) verify relevant certificates, check the contents of advertisements, and shall not provide design, production, agent or release services for advertisements with inconsistent content or incomplete certification documents; (iii) set up advertisement reviewers familiar with advertising laws and regulations or establish advertisement review agencies. The identity information includes names, unified social credit codes (identification card numbers), among other things. For the publication of advertisements for medical treatment, pharmaceuticals, medical devices, agricultural pesticides, veterinary drugs, healthcare food, special formula foods for medical purposes and other advertisements subject to the examination as required by laws, administrative rules and regulations, the advertisement examination authority shall, prior to publication, examine the contents of such advertisements; in the absence of such examination, such advertisements shall not be published.

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 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 30, 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. Interpretation of the Supreme People’s Court on Several Issues Concerning the Application of the

General Provisions of the Book on Contracts of the Civil Code of the People's Republic of China, which was promulgated by the Supreme People's Court on December 4, 2023 and became effective on December 5, 2023.

- 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 the Export of Hardware Products***

On December 10, 2001, the State Council promulgated Administrative Regulations of the People's Republic of China on the Import and Export of Goods, which took effect on January 1, 2002. China exercises uniform administration over the import and export of goods. The State allows the free import and export of goods and maintains the fairness and orderliness of the import and export of goods according to law. Unless it is clearly provided in laws or administrative regulations to forbid or restrict the import or export of goods, no entity or individual may establish or maintain prohibitive or restrictive measures over the import or export of goods. The department under the State Council in charge of foreign trade and economic cooperation takes charge of the import and export of goods within the whole country according to the Foreign Trade Law and these regulations.

On December 30, 2022, the Standing Committee of the National People's Congress promulgated the Foreign Trade Law of the People's Republic of China, which was effective on the same date. A foreign trade dealer shall, in compliance with the regulations laid down in accordance with law by the department of foreign trade under the State Council or any other relevant department, submit to relevant departments the documents and information related to its foreign trade activities. On May 10, 2021, the Ministry of Commerce promulgated the Measures for filing and registration of foreign trade operators, which was effective on May 10, 2021. Foreign trade operators engaged in the import and export of goods or technologies shall register with the Ministry of Commerce or the institutions entrusted by the Ministry of Commerce. If a foreign trade operator fails to register in accordance with these measures, the Customs shall not go through the formalities of import and export declaration and clearance.

On October 17, 2020, the Standing Committee of the National People's Congress promulgated the Export Control Law of the People's Republic of China, which took effect on December 1, 2020. The State has implemented a uniform export control regime and administrates export control by developing control lists, checklists or catalogs, administrating export licenses or other means. The State export control authorities shall supervise and inspect, under the law, activities in respect of the export of controlled items.

On April 29, 2021, the Standing Committee of the National People's Congress promulgated Customs Law of the People's Republic of China, which took effect on the same date. The State Council sets up the General Administration of Customs which shall exercise unified administration of the Customs offices throughout the country. All inward and outward means of transport, goods and Articles shall enter or leave the territory at a place where there is a Customs office. If, under special circumstances, they have to enter or leave the territory at a place without a Customs office as a matter of contingency, permission shall be obtained from the State Council or an organ authorized by the State Council, and customs formalities shall be duly completed in accordance with this Law. The consignor or consignee of the goods exported or imported as well as a customs declaration enterprise shall register for declaration activities with the Customs in accordance with the law. Customs brokers or customs declaration persons shall not make customs declaration illegally on behalf of others.

### ***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.

On June 15, 2023, the SAMR promulgated the Administrative Measures for Food Operation Licensing and Filing, which was effective on December 1, 2023. According to the Administrative Measures for Food Operation Licensing and Filing, Sales of only prepackaged food shall be reported to the local department for market regulation at or above the county level in the place where the food seller is located for filing. If a food operator only engaging in selling prepackaged food adds other food operation projects for which a food operation license is required after completing the filing for only selling prepackaged food, it shall obtain a food business license in accordance with the law. The said filing shall be automatically invalidated as of the date of obtaining the food operation license. A food operator which has obtained a food operation license is not required to file for additional business of selling prepackaged food separately. A food producer which has obtained a food production license is not required to file for sales of its produced prepackaged food in its production and processing location or through the network separately.

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 local department for market regulation at or above the county level in the place where the food seller is located for filing.

### ***Regulations on Artificial Intelligence***

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.

On November 25, 2022, the CAC, together with MIIT and Ministry of Public Security, promulgated Administrative Provisions on Deep Synthesis in Internet-based Information Services, effective on January 10, 2023. For the purposes of the Provisions, Deep synthesis technology refers to any technology that employs deep learning, virtual reality or any other generative or synthetic algorithm to produce text, images, audio, video, virtual scenes or other network information. Providers of deep synthesis services shall fulfill their role as the bearer of responsibilities for information security, and establish and improve their user registration, algorithm mechanism and logic review, scientific and technological ethics review, information release review, data security, personal information protection, anti-telecom and online fraud, emergency response and other management systems, along with safe and controllable technical safeguards in place. Cyberspace authorities as well as telecommunications authorities and public security authorities shall, as per their respective responsibilities, conduct supervisory inspections of deep synthesis services.

The CAC, together with other regulatory authorities, published the Interim Measures for the Management of Generative Artificial Intelligence Services on July 10, 2023, and effective on August 15, 2023. Generative AI service providers (hereinafter referred to as “providers”) shall carry out pre-training, optimization training, and other training data processing activities in accordance with the law, and comply with the following provisions:(1) Use data and underlying models sourced from legitimate sources;(2) Where intellectual property rights are involved, the intellectual property rights legally entitled to others must not be infringed;(3) Where personal information is involved, the consent of the personal information subject shall be obtained, or any other circumstances provided for in laws or administrative regulations shall apply;(4) Employ effective measures to improve the quality of training data and to enhance the authenticity, accuracy, objectivity, and diversity of training data; and(5) Other relevant provisions of laws and administrative regulations such as the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China, as well as relevant regulatory requirements of relevant authorities. Providers shall assume responsibility as a producer of online information content in accordance with the law and fulfill online information security obligations. Where personal information is involved, they shall assume responsibility as a personal information processor in accordance with the law and fulfill personal information protection obligations. Providers shall execute service agreements with users who register for their generative AI services to establish the respective rights and obligations of both parties.

The National Information Security Standardization Technical Committee issued the Practice Guide of Network Security Standards-Identification Method of Generative Artificial Intelligence Service Content, which came into effect on August 25th, 2023. The above regulations provide content identification methods around four types of generated content: text, picture, audio and video, which can be used to guide the service providers of generative artificial intelligence to improve their safety management level. On

February 29, 2024, the National Information Security Standardization Technical Committee issued and came into effect the Basic Requirements for the Security of Generative Artificial Intelligence Services, which further stipulated the security of corpus, model and security measures.

### ***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 on July 1, 2004. 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 and effective on February 1, 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 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, 2023, 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, 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 Provisions on the Administration of Internet Pop-up Information Push 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. The security assessment requirement also applies to any transfer of important data outside of China.

On September 28, 2023, the CAC promulgated the Provisions on Regulating and Facilitating Cross-border Data Flow (Draft for Comment), which provides that data processors who transfer important data and personal information overseas shall abide by the provisions in laws and administrative regulations, fulfill their data security protection obligations, and ensure the security of outbound data transfer. As of the Latest Practicable Date, the Provisions on Regulating and Facilitating Cross-border Data Flow (Draft for Comment) had not been enacted or taken effect.

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.

On February 24, 2023, the CSRC issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Confidentiality and Archives Administration Provisions, which became effective on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, a domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level. A domestic company that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations. Working papers produced in the Chinese mainland by securities companies and securities service providers in the process of undertaking businesses related to overseas offering and listing by domestic companies shall be retained in the Chinese mainland. Where such documents need to be transferred or transmitted to outside the Chinese mainland, relevant approval procedures stipulated by national regulations shall be followed.

## ***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 on June 1, 2015. The Guidelines for Direct Investment Foreign Exchange Business Operations, as the annex, 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. On December 4, 2023, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment. 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, and the Administrative Measures for Registration of Foreign Debts, and the Administrative Measures for Review and Registration of Medium- and Long-term Foreign Debts of Enterprises. 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.** The SCNPC promulgated the Company Law on December 29, 2023 which will take effect on July 1, 2024. All companies established in China are governed by the Company Law. 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 stipulated in the company's articles of association. 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 [2022] No. 19 and State Administration of Taxation Hengqin Guangdong-Macao Deep Cooperation Zone Taxation Bureau Announcement [2023] No. 1, enterprises located in Guangdong-Macao Deep Cooperation Zone which also qualify as encouraged industrial enterprises and meet 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 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, and
- Regulations on the Administration of Housing Provident Fund promulgated by the State Council on April 3, 1999 and latest revised on March 24, 2019.

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 and Regulations on the Administration of Housing Provident Fund, 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.

In addition, pursuant to the Circular of the General Office of State Council on Establishing the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors, which was issued by the General Office of the State Council on February 3, 2011 and took effect on March 3, 2011, and the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors, which was issued by MOFCOM and became effective in September 2011, mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including structuring the transaction through a proxy or contractual control arrangement.

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.

The CSRC issued the Trial Measures and five supporting guidelines on February 17, 2023, which are effective from March 31, 2023. According to the Trial Measures for Overseas Listing, domestic companies seeking to issue and list securities in overseas markets directly or indirectly should fulfil the filing procedures and report relevant information to the CSRC.

In addition, according to the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic companies jointly promulgated by the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and came into effect on March 31, 2023, where a domestic company provides or publicly discloses any files or materials involving state secrets or work secrets of state agencies to the relevant securities companies, securities service agencies, overseas regulatory agencies and other entities and individuals, or provides or publicly discloses any files or materials involving state secrets or work secrets of state agencies through their overseas listing entities, it shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level. Where a domestic company provides securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals with accounting files or copies of accounting files, it shall perform corresponding procedures in accordance with relevant regulations of the State. The working papers formed in the Chinese mainland by securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic companies shall be retained in the Chinese mainland. Where such documents need to be transferred or transmitted to outside the Chinese mainland, the approval procedure shall be carried out in accordance with the relevant regulations of the State.



### **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 internet information services and value-added telecommunication services 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.

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 decedely 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 33.1%, 31.8% and 42.9% of our revenues for the years ended December 31, 2021, 2022 and 2023, 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, 2023, 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.

#### **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 2021 items and year-over-year comparisons between 2022 and 2021 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, 2022 that was filed with the Securities and Exchange Commission on April 18, 2023.

## A. Operating Results

### Overview

We are a China-based IT company with a commitment to AI innovation. We generate revenues primarily by providing utility-related business, including advertising services and premium membership services worldwide. 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.

Subsequent to the acquisition of Beijing OrionStar, we enlarged our business to provide service robots globally to restaurants, supermarkets, exhibitions and so on. Through a full range of AI technologies, our service robots can be customized and are able to provide comprehensive solutions to optimize efficiency, improve sales, ensure service standardization and enhance customer satisfaction. At the same time, we actively engage in the independent research and development of our AI technologies, including large language model ("LLM") technologies to provides AI-powered business solutions for enterprise customers, enabling enterprises to apply LLM technology, digitalize employees and improve operational efficiency. Although our revenue generated by these business lines in 2023 was immaterial, we expect these AI related businesses to have growth potential in the future.

We reported our revenues and operating profits in two segments: internet business and AI and others. In 2023, we acquired controlling stake of Beijing OrionStar, and reported the results of Beijing OrionStar in the AI and others segment.

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 multi-cloud management platform, overseas advertising agency service and sale and rental of service robots and some other AI related business.

On the corporate level, our revenues decreased to RMB669.5 million (US\$94.3 million) in 2023 due to the revenue decrease of our online advertising and gaming services. Our net loss attributable to Cheetah Mobile shareholders was RMB602.9 million (US\$84.9 million) in 2023, compared to a net loss attributable to Cheetah Mobile shareholders of RMB513.5 million in 2022.

Historically, we have invested heavily in research and development and selling and marketing to grow our businesses. Since 2021, we have taken measures to control expenses and improve operational efficiency, such as organization downsizing. In 2023, we completed the acquisition of Beijing OrionStar, our headcount increased from 713 as of December 31, 2022 to 845 as of December 31, 2023.

### 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,				
	2022		2023		
	RMB	% of revenues	RMB	US\$	% of revenues
Internet business	697,387	78.9	450,134	63,400	67.2
AI and others	186,679	21.1	219,369	30,898	32.8
<b>Revenues</b>	<b>884,066</b>	<b>100.0</b>	<b>669,503</b>	<b>94,298</b>	<b>100.0</b>

#### Internet business

Revenues from internet business accounted for 78.9% and 67.2% of our revenues in 2022 and 2023, 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 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 21.1% and 32.8% of our revenues in 2022 and 2023, respectively. AI and others revenues mainly include revenues from our AI related business, such as business of multi-cloud management service, overseas advertising agency service, sale and rental of our service robots, 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 service costs, personnel costs, channel and sharing costs, depreciation of equipment, and cost of robots and other products sold, including direct materials, external processing fee, depreciation and amortization of assets associated with the production.

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.

Channel and sharing costs consist fees paid to distribution platforms and payment channels and revenue sharing with application publishers.

## 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,				
	2022		2023		
	(in thousands, except percentages)				
	RMB	% of revenues	RMB	US\$	% of revenues
Operating income and expenses					
Research and development	(180,957)	(20.5)	(178,207)	(25,100)	(26.6)
Selling and marketing	(476,853)	(53.9)	(242,511)	(34,157)	(36.2)
General and administrative	(214,337)	(24.2)	(229,549)	(32,331)	(34.3)
Other operating income, net	15,051	1.7	2,867	404	0.4
<b>Total operating income and expenses</b>	<b>(857,096)</b>	<b>(96.9)</b>	<b>(647,400)</b>	<b>(91,184)</b>	<b>(96.7)</b>

*Research and Development Expenses.* Research and development (R&D) expenses consist primarily of employee costs and rental expenses related to personnel engaged in R&D activities, design and development expenses with new technology, materials and supplies and other R&D related expenses. These expenditures are generally expensed as incurred. Research and development expenses decreased by 1.5% year over year to RMB178.2 million (US\$25.1 million) in 2023, 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.

## 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 the 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, 2022 and 2023. 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.

In December 2022, a refined Foreign-sourced Income Exemption (“FSIE”) regime was published in Hong Kong and took effect from January 1, 2023. Under the new FSIE regime, certain foreign sourced income would be deemed as being sourced from Hong Kong and chargeable to Hong Kong Profits Tax, if the recipient entity fails to meet the prescribed exception requirements. Certain dividends, interests, disposal gains and intellectual property income, if any, received by our Hong Kong subsidiaries will be subject to the new tax regime. We will monitor the regulatory developments and continue to evaluate the impact, if any. In addition, payments of dividends from our Hong Kong subsidiary to us are not subject to any withholding tax in Hong Kong.

*Singapore.* Our subsidiaries incorporated in Singapore were subject to Singapore corporate income tax rate of 17% for the year ended December 31, 2022 and 2023.

*Japan.* For the years ended December 31, 2022 and 2023, 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 23.2%. 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. 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 of qualified industries that met the operational substantive requirements located in Hengqin-Guangdong-Macao In-depth Cooperation Zone are subject to a tax rate of 15%. For the year ended December 31, 2022, and 2023, our PRC subsidiaries qualified as “new software enterprise” were subject to tax holiday or a preferential tax rate of 12.5% and 15%, respectively, our PRC subsidiaries and VIEs qualified as “high and new technology enterprise” and located in Hengqin-Guangdong-Macao In-depth Cooperation Zone 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, 2022 and 2023.

		Year Ended December 31,		
		2022	2023	
		RMB	RMB	US\$
		(in thousands)		
Cayman Islands and BVI	Income (Loss) before income tax	(171,383)	(307,996)	(43,380)
	Income tax expenses (benefits) computed at the PRC statutory tax rate of 25%	(42,846)	(76,999)	(10,845)
	Income tax expenses computed at Cayman Islands statutory tax rate of 0%	—	—	—
	<b>Effect of differing tax rates in different jurisdictions</b>	<b>42,846</b>	<b>76,999</b>	<b>10,845</b>
Hong Kong	Income (Loss) before income tax	(81,036)	(71,816)	(10,115)
	Income tax expenses (benefits) computed at the PRC statutory tax rate of 25%	(20,259)	(17,954)	(2,529)
	Income tax expenses (benefits) computed at the Hong Kong statutory tax rate of 16.5%	(13,371)	(11,850)	(1,669)
	<b>Effect of differing tax rates in different jurisdictions</b>	<b>6,888</b>	<b>6,104</b>	<b>860</b>
Singapore	Loss before income tax	(6,908)	(14,298)	(2,013)
	Income tax benefits computed at the PRC statutory tax rate of 25%	(1,727)	(3,575)	(504)
	Income tax benefits computed at the Singapore statutory tax rate of 17%	(1,174)	(2,431)	(342)
	<b>Effect of differing tax rates in different jurisdictions</b>	<b>553</b>	<b>1,144</b>	<b>162</b>
PRC	Loss before income tax	(261,306)	(251,578)	(35,434)
	Income tax benefits computed at the PRC statutory tax rate of 25%	(65,326)	(62,895)	(8,859)
	Income tax benefits computed at the PRC statutory tax rate of 25%	(65,326)	(62,895)	(8,859)
	<b>Effect of differing tax rates in different jurisdictions</b>	<b>—</b>	<b>—</b>	<b>—</b>
Others	Loss before income tax	(25,147)	8,038	1,132
	Income tax benefits computed at the PRC statutory tax rate of 25%	(6,287)	2,010	284
	Income tax benefits computed at the statutory tax rates of such other jurisdictions	(7,294)	1,849	260
	<b>Effect of differing tax rates in different jurisdictions</b>	<b>(1,007)</b>	<b>(161)</b>	<b>(24)</b>
Total	Loss before income tax	(545,780)	(637,650)	(89,810)
	Income tax benefits computed at the PRC statutory tax rate of 25%	(136,445)	(159,413)	(22,453)
	Income tax benefits computed at the statutory tax rate of different jurisdictions	(87,165)	(75,327)	(10,610)
	<b>Effect of differing tax rates in different jurisdictions</b>	<b>49,280</b>	<b>84,086</b>	<b>11,843</b>

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, 2022 and 2023.

	Year Ended December 31,			
	2022	2023		
	RMB	RMB	US\$	
		(in thousands)		
PRC <sup>(1)</sup>	2,232	3,457	487	
Others	—	—	—	
<b>Total</b>	<b>2,232</b>	<b>3,457</b>	<b>487</b>	

- (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,		
	2022	2023	
	RMB	RMB	US\$
	(in thousands)		
<b>Selected Consolidated Statements of Comprehensive loss:</b>			
Revenues	884,066	669,503	94,298
Internet business	697,387	450,134	63,400
AI and others	186,679	219,369	30,898
Cost of revenues <sup>(1)</sup>	(252,561)	(231,940)	(32,668)
<b>Gross profit</b>	<b>631,505</b>	<b>437,563</b>	<b>61,630</b>
<b>Operating income and expenses</b>			
Research and development <sup>(1)</sup>	(180,957)	(178,207)	(25,100)
Selling and marketing <sup>(1)</sup>	(476,853)	(242,511)	(34,157)
General and administrative <sup>(1)</sup>	(214,337)	(229,549)	(32,331)
Other operating income, net	15,051	2,867	404
<b>Total operating expenses, net</b>	<b>(857,096)</b>	<b>(647,400)</b>	<b>(91,184)</b>
<b>Operating loss</b>	<b>(225,591)</b>	<b>(209,837)</b>	<b>(29,554)</b>
<b>Other income (expenses)</b>			
Interest income, net	35,710	60,978	8,589
Foreign exchange losses, net	(95,434)	(11,421)	(1,609)
Other income	101,265	96,765	13,630
Other expense	(361,730)	(574,135)	(80,866)
<b>Loss before income taxes</b>	<b>(545,780)</b>	<b>(637,650)</b>	<b>(89,810)</b>
Income tax benefits	25,089	43,781	6,166
<b>Net loss</b>	<b>(520,691)</b>	<b>(593,869)</b>	<b>(83,644)</b>
Less: net (loss)/income attributable to noncontrolling interests	(7,216)	9,029	1,272
<b>Net loss attributable to Cheetah Mobile Inc.</b>	<b>(513,475)</b>	<b>(602,898)</b>	<b>(84,916)</b>

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

	Year Ended December 31,		
	2022	2023	
	RMB	RMB	US\$
	(in thousands)		
Cost of revenues	686	370	52
Research and development	1,580	580	82
Selling and marketing	1,899	509	72
General and administrative	3,698	32,095	4,520
<b>Total</b>	<b>7,863</b>	<b>33,554</b>	<b>4,726</b>

### Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

**Revenues.** Our revenues decreased by 24.3% from RMB884.1 million in 2022 to RMB669.5 million (US\$94.3 million) in 2023.

**Internet business.** Revenues from internet business decreased by 35.5% from RMB697.4 million in 2022 to RMB450.1 million (US\$63.4 million) in 2023. The year-over-over decrease was primarily due to the strategic downsizing of our online advertising business and gaming business. In 2023, approximately 24.3% 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 membership services and software subscription services.

**AI and others.** Revenues from AI and others increased to RMB219.4 million (US\$30.9 million) in 2023 from RMB186.7 million in 2022. This increase was primarily due to business growth from multi-cloud Management service and overseas advertising agency services as well as the acquisition of controlling stake in Beijing OrionStar.

**Cost of revenues.** Our cost of revenues decreased by 8.2% from RMB252.6 million in 2022 to RMB231.9 million (US\$32.7 million) in 2023. This decrease was primarily due to lower costs related to our advertising and E-coupon vending robot business.

**Gross profit.** As a result of the foregoing, our gross profit decreased by 30.7% from RMB631.5 million in 2022 to RMB437.6 million (US\$61.6 million) in 2023.

**Gross margin.** Our gross margin decreased to 65.4% for the year ended December 31, 2023 from 71.4% for the year ended December 31, 2022.

**Operating expenses.** Our operating expenses decreased by 24.5% from RMB857.1 million in 2022 to RMB647.4 million (US\$91.2 million) in 2023 mainly due to our decreased marketing and promotion expenses on user acquisition for our internet business.

**Research and development expenses.** Our research and development expenses remained largely stable in 2022 and 2023, with the amount reaching RMB181.0 million and RMB178.2 million (US\$25.1 million), respectively.

**Selling and marketing expenses.** Our selling and marketing expenses decreased by 49.1% year over year to RMB242.5 million (US\$34.2 million) in 2023. This decrease was primarily due to decreased marketing and promotion expenses related to user acquisition for our internet business.

**General and administrative expenses.** Our general and administrative expenses increased by 7.1% year over year to RMB229.5 million (US\$32.3 million) in 2023, which mainly resulted from share-based compensation expenses for our key employees.

**Operating loss.** As a result of the foregoing, we had an operating loss of RMB209.8 million (US\$29.6 million) in 2023, as compared to an operating loss of RMB225.6 million in 2022.

**Operating loss margin.** We had an operating loss margin of 31.3% in 2023, as compared to an operating loss margin of 25.5% in 2022.

**Other income.** Other income was RMB96.8 million (US\$13.6 million) in 2023, which was primarily due to gains from disposal of certain assets and long-term investments.

**Other expense.** Other expense was RMB574.1 million (US\$80.9 million) in 2023, which was primarily due to fair value change and impairment of certain long-term investments.

**Income tax benefit.** Our income tax benefits was RMB43.8 million (US\$6.2 million) in 2023, as compared to income tax benefits of RMB25.1 million in 2022.

**Net loss attributable to Cheetah Mobile shareholders.** Primarily as a result of the foregoing, our net loss attributable to Cheetah Mobile shareholders was RMB602.9 million (US\$84.9 million) in 2023, as compared to a net loss attributable to Cheetah Mobile shareholders of RMB513.5 million in 2022.

## **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, 2023, we had RMB2,021.2 million (US\$284.7 million) in cash and cash equivalents 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, 2022 and 2023:

	As of December 31,	
	2022	2023
	(in thousands of RMB)	
<b>Cash located outside of the PRC</b>		
—held by Company and Subsidiaries in US dollars	990,373	1,371,328
—held by Company and Subsidiaries in RMB	127,678	13,104
—held by Company and Subsidiaries in others	49,474	62,539
—held by VIEs in US dollars	2,459	16,744
—held by VIEs in others	567	1,438
<b>Cash located in the PRC</b>		
—held by Company and Subsidiaries in RMB	116,802	271,966
—held by Company and Subsidiaries in US dollars	9,740	125,109
—held by Company and Subsidiaries in others	—	2,637
—held by VIEs in RMB	218,697	155,318
—held by VIEs in US dollars	9	8
<b>Total cash and cash equivalents</b>	<b>1,515,799</b>	<b>2,020,191</b>

The table below sets forth a breakdown of our short-term investments by location as of December 31, 2022 and 2023:

	As of December 31,	
	2022	2023
	(RMB in thousands)	
<b>Short-term investments located outside of the PRC</b>		
—Time deposits located outside the PRC	69,796	1,023
<b>Short-term investments located in the PRC</b>		
—Wealth management products located in the PRC	86,386	—
<b>Total short-term investments</b>	<b>156,182</b>	<b>1,023</b>

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

	Year Ended December 31,		
	2022	2023	
	RMB	RMB	US\$
	(in thousands)		
Net cash (used in)/provided by operating activities	(424,249)	550,462	77,530
Net cash provided by/(used in) investing activities	189,052	(49,061)	(6,909)
Net cash used in financing activities	(4,866)	(6,778)	(955)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	171,851	9,073	1,278
Cash, cash equivalents and restricted cash at the beginning of year	1,584,707	1,516,495	213,594
Net (decrease) increase in cash, cash equivalents and restricted cash	(68,212)	503,696	70,944
Cash, cash equivalents and restricted cash at the end of year	1,516,495	2,020,191	284,538

### Operating Activities

Net cash provided by operating activities for the year ended December 31, 2023 was RMB550.5 million (US\$77.5 million). This amount was primarily attributable to net loss of RMB593.9 million (US\$83.6 million), (i) adjusted to add back impairment of assets of

RMB534.8 million (US\$75.3 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 RMB791.7 million (US\$111.5 million), (iv) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in accounts receivable RMB122.5 million (US\$17.3 million).

Net cash used in operating activities for the year ended December 31, 2022 was RMB424.2 million. This amount was primarily attributable to net loss of RMB520.7 million, (i) adjusted for gains on disposal of investment RMB32.5 million; (ii) adjusted for impairment of assets RMB261.8 million, foreign currency exchange losses RMB95.4 million, depreciation of property and equipment RMB49.2 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, (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 and an increase in accounts receivable RMB103.6 million.

### ***Investing Activities***

Net cash used in investing activities was RMB49.1 million (US\$6.9 million) for the year ended December 31, 2023, primarily attributable to net cash paid for business acquisition of RMB238.1 million (US\$33.5 million), purchase of short-term investments of RMB1,176.0 million (US\$165.6 million) and purchase for long-term investments RMB23.7 million (US\$3.3 million), partially offset by proceeds from maturity of short-term investments of RMB1,332.5 million (US\$187.7 million).

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

### ***Financing Activities***

Net cash used in financing activities was RMB6.8 million (US\$1.0 million) for the year ended December 31, 2023.

Net cash used in financing activities was RMB4.9 million for the year ended December 31, 2022.

### ***Material cash requirements***

Our material cash requirements as of December 31, 2023 and any subsequent interim period primarily include our capital expenditures, operating lease obligations, and purchase obligations.

We incurred capital expenditures of RMB6.8 million and RMB9.7 million (US\$1.4 million) in 2022 and 2023, respectively. Our capital expenditures were primarily attributable to purchase of computers and servers related to research and development activities and expenditures in our service robots leasing services. As our AI business expands, we may incur more capital expenditures for our AI business 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 10 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, 2023.

	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	32,498	14,426	18,072	—	—
Purchase obligations	197,578	67,522	130,056	—	—
<b>Total</b>	<b>230,076</b>	<b>81,948</b>	<b>148,128</b>	<b>—</b>	<b>—</b>

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2023.

## 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, 2023 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

### **Critical Accounting Policies and Estimates**

Our significant accounting policies are set forth in note 2 to our audited consolidated financial statements included in this annual report. 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. We have identified the following accounting policies as the most critical that involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

During which, estimates used for “Allowance for credit losses”, “Fair value measurements of Non-Marketable long-term investments”, “Fair Value Determination Related to the Accounting for Business Combinations” and “Impairment Assessment on Goodwill, Long-lived Assets and Intangible assets”, require management to make difficult, subjective and complex judgments that often as a result of the need to make estimate on matters that are inherently uncertain and which is likely that materially different amounts would be reported under different conditions or assumptions.

### ***Consolidation of VIEs***

PRC law currently restricts foreign ownership of internet-based and mobile-based businesses and regulates internet access, distribution of internet information services and value-added telecommunication services 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 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.

### ***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,		
	2022	2023	
	RMB	RMB	US\$
	(in thousands)		
Revenues:			
Internet business			
Online advertising	355,289	109,339	15,400
Internet value-added services	342,098	340,795	48,000
AI and Others			
Advertising agency services	83,111	89,275	12,574
Multi-cloud Management Services	77,956	87,747	12,359
Sale and rental of robots and other AI hardware products	5,289	22,034	3,103
Technical consulting service and others	20,323	20,313	2,862
<b>Total consolidated revenues</b>	<b>884,066</b>	<b>669,503</b>	<b>94,298</b>

## **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.

*(i) VIP membership and software subscription.* We offer various online software as well as on-promise software such as anti-virus, security protection, immediate communication and others to individual and enterprise customers.

While providing online software services, the customers do not take possession of the software. 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. VIP membership services primarily include the right to get access to advertising-free and value-added services such as file and data recovery, malicious pop-up interception, PDF converting etc. VIP membership service and hosted software subscription service fees are paid for a specific contracted service period, which is normally 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 recognize 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.

While providing on-premise software, the license provides the customer with a right to use the software as it exists when made available to the customer. We sell specific version of the software to the customer, and provide post-contract services such as post-delivery telephone support and post-contract customer support for the customer. The on-premise software licence and the post-contract services are accounted for a single performance obligation as post-contract services are mainly provided to answer questions about the use and the installation of the software which would not constitute a promise to a customer. Revenue is recognized upfront at the point in time when the software is made available to the customer. Software upgrades, such as version iteration, are additionally charged.

*(ii) 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 and rental of Robots and other AI hardware products*

We generate revenue from sales of Robots and other AI hardware products. We recognize revenue generally at a point in time when the robots and other AI hardware products are delivered to customers. We provide standard warranty on all robots sold, which is not a separate performance obligation as it is intended to provide greater quality assurance to customers. Accordingly, standard warranty is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when the Group transfers the control of robots to a customer. The consideration for sale of robots are normally paid in advance, which means the payments received are prior to the transfer of goods or services by us, we record a contract liability (deferred revenue) for the amount relating to those unperformed obligations.

### *Technical consulting and others services*

We provide other services including technical consulting, services related to sale of robots, such as technical support, extended time warranty, maintenance service etc. Such revenue are recognized ratably over the term of the arrangement. 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 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. Because expected credit losses can vary substantially over time, estimating expected credit losses requires a number of assumptions about matters that are uncertain.

### ***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. For long-term 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 continually review our investments in equity method investees to determine whether a decline in fair value below the carrying value is “other-than-temporary.” 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 judgments 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 22 of the Notes to the Consolidated Financial Statements for information regarding method and key assumptions used for fair value measurements of such investments.

### ***Fair Value Determination Related to the Accounting for Business Combinations***

We complete business combinations that require us to perform purchase price allocations. In order to recognize the acquisition date amounts of assets acquired and liabilities assumed, mainly consisting of intangible assets and goodwill, as well as the fair value of previously held equity interests, mezzanine equity and non-controlling interests, we primarily use valuation techniques such as discounted cash flow analysis under the income approach. Major assumptions used in determining the fair value related to the accounting for business combinations include future revenue growth rates, EBIT margin and discounted rate. The valuation of our acquired business was performed by independent valuation specialist. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

### ***Impairment Assessment on Goodwill, Long-lived Assets and Intangible assets***

We test annually, or whenever events or circumstances indicate that the carrying value of assets exceeds the recoverable amounts, whether goodwill and intangible assets with indefinite lives have suffered any impairment in accordance with the accounting policy stated in note 2 to our audited consolidated financial statements included in this annual report. For the impairment assessment on Goodwill, we may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, we consider factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. We may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test. We perform the quantitative impairment test by comparing the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit’s fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

For long-lived and intangible assets with finite lives, we perform an impairment assessment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. These assessments primarily use future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. The expected growth in revenues and operating margin, timing of future capital expenditures, an estimate of weighted average cost of capital and terminal growth rate are based on actual and prior year performance and market development expectations. The periods of the financial forecasts generally range from three to five years or a longer period if necessary. Judgment is required to determine key assumptions adopted in the cashflow projections and changes to key assumptions can significantly affect these cash flow projections and the results of the impairment tests.

## ***Recognition of Income Taxes and Deferred Tax Assets/Liabilities***

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 deferred tax assets netted off by deferred 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.

## **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.

<b>Directors and Executive Officers</b>	<b>Age</b>	<b>Position/Title</b>
Sheng Fu	46	Chief Executive Officer and Chairman of the Board of Directors
Tao Zou	48	Director
Thomas Jintao Ren	45	Chief Financial Officer and Director
Shengwu Wu	50	Independent Director
Dr. Yi Ma	51	Independent Director
Dr. Yun Zhang	47	Independent Director
Edward Mingyan Sun	41	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. 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 vice chairman of the board, executive director and acting CEO 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.

*Shengwu Wu* has held the position of global executive vice president at Tsinghua Unigroup and chairman of the board of the directors of Xiamen Education Technology Group Co., Ltd (SZSE: 000526) since 2019. Additionally, he currently serves as chairman of the board of the directors and chief executive officer of Unic Memory Technology Co. Ltd. Prior to joining Tsinghua Unigroup, Mr. Wu served as the deputy director of the Department of Electronic Information at the Ministry of Industry and Information Technology of the People's Republic of China from 2016 to 2019, district head of Haishu District, Ningbo, China from 2011 to 2016, and director of Ningbo Information Industry Bureau from 2006 to 2011. With over two decades of experience in the information and communication technologies (ICT) field, Mr. Wu possesses extensive industry management experience. Mr. Wu received his bachelor's degree in engineering and master's degree in laws from Tsinghua University, and a Ph.D. degree in administration from Huazhong University of Science and Technology.

*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, 2023, we paid an aggregate of approximately RMB 24.8 million (US\$ 3.5 million) in cash to our executive officers and directors (excluding independent directors), and an aggregate of approximately RMB1.5 million (US\$0.2 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, 2023, we contributed an aggregate of approximately RMB0.8 million (US\$0.1 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 or 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, and the 2013 plan has terminated upon its expiration in January 2024, and the remaining 706,618 forfeited and unvested restricted shares that have not been granted are cancelled.

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 has terminated automatically in January 2024.

### 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, 2024, 81,770,931 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.** The 2014 Plan has a validity term of 10 years and was due to terminate in 2024. Upon approval of our board of directors, the validity term has been extended to April, 2029.

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 March 31, 2024, 103,270,550 restricted shares (excluding those that have been forfeited) had been 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.

The following table summarizes, as of March 31, 2024, 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, 2014 Plan and 2023 plan, and which remained outstanding.

	Number of Restricted Shares Outstanding	Purchase Price (US\$/Share)	Date of Grant
Sheng Fu	42,831,800	N/A	June 22, 2023
Edward Mingyan Sun	*	N/A	May 1, 2017
	*	N/A	October 1, 2017
	*	N/A	April 1, 2018
	*	N/A	June 22, 2023
Thomas Jintao Ren	*	N/A	June 22, 2023
Individuals as a group	*	N/A	—
Total			

\* Less than 1% of our total outstanding Class A and Class B ordinary shares.

#### 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 Shengwu Wu. Our board of directors has determined that Shengwu Wu 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 Shengwu Wu, and Dr. Yi Ma and is chaired by Dr. Yi Ma. Our board of directors has determined that Shengwu Wu 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 851, 713 and 845 employees as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth the number of our employees, categorized by function, as of December 31, 2023:

<b>Function</b>	<b>Number of Employees</b>
Operations	81
Research and development	336
Sales and marketing	205
General and administrative	223
<b>Total</b>	<b>845</b>

#### **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, 2024 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 1,500,061,785 total issued and outstanding ordinary shares as of March 31, 2024, representing the sum of 493,104,900 Class A ordinary shares and 1,006,956,885 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)
<b>Directors and Executive Officers**:</b>				
Sheng Fu <sup>(3)</sup>	31,012,650	100,722,938	8.8	47.6
Tao Zou <sup>(4)</sup>	—	—	—	—
Thomas Jintao Ren	*	*	*	*
Shengwu Wu <sup>(5)</sup>	—	—	—	—
Dr. Yi Ma <sup>(6)</sup>	*	—	*	—
Dr. Yun Zhang <sup>(7)</sup>	*	—	*	—
Edward Mingyan Sun	*	*	*	*
All directors and executive officers as a group	37,687,320	106,340,288	9.6	48.2
<b>Principal Shareholders:</b>				
Kingsoft Corporation Limited <sup>(8)</sup>	11,800,547	662,806,049	45.0	25.0
Tencent Holdings Limited <sup>(9)</sup>	15,031,120	220,481,928	15.7	21.0
Sheng Global Limited <sup>(10)</sup>	29,996,440	97,563,128	8.5	9.5

#### 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. 11 Wandong 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) 1,500,061,785 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, 2024.
- (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 90,263,128 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 37.8% 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 Shengwu Wu is Building No.6, Zijinzhuanquyuan, Haidian District, Beijing, People's Republic of China.
- (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 37.8% 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 90,263,128 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, 2024, to our knowledge, on the same basis of calculation as above, 462,819,310 Class A ordinary shares represented by ADSs, or approximately 30.85% 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 45.0% and 25.0%, respectively, of our outstanding Class A and Class B ordinary shares on an as-converted basis as of March 31, 2024.

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 was automatically renewed for one year pursuant to its terms.

For the years ended December 31, 2021, 2022 and 2023, we recognized aggregate fees of RMB19.1 million, RMB15.2 million and RMB14.2 million (US\$2.0 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, 2021, 2022 and 2023, we recognized total revenues of RMB40.3 million, RMB12.5 million and RMB9.6 million (US\$1.3 million), respectively, from the Tencent Group, and recognized aggregate fees of RMB32.6 million, RMB20.5 million and RMB13.3 million (US\$1.9 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 founded by Mr. Sheng Fu, and subsequently made further investment in Beijing OrionStar. 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 November 2023, we acquired an aggregate of 35.17% equity interest of Beijing OrionStar from certain of the existing shareholders of Beijing OrionStar with an aggregate cash consideration of RMB268.7 million (US\$37.8 million). Upon completion of the transaction, our equity interest in Beijing OrionStar increased to 72.91% and consolidated the financial results of Beijing OrionStar since November 30, 2023. Consequently, transactions with Beijing OrionStar should no longer be considered as related party transactions from that date onwards.

From 2018, we entered into distribution and several AI robots purchase agreements with Beijing OrionStar. For the years ended December 31, 2021, 2022 and for the period ended November 30, 2023, we purchased products from OrionStar of RMB40.3 million, RMB1.1 million and RMB1.0 million (US\$0.1 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, 2021, 2022 and for the period ended November 30, 2023, we recognized total cost of RMB3.8 million, RMB0.3 million and RMB2.3 million (US\$0.3 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, 2021, 2022 and for the period ended November 30, 2023, we recognized total revenue of RMB3.9 million, RMB2.6 million and RMB2.4 million (US\$0.3 million), respectively.

In 2021, we provided a convertible loan of RMB100.0 million at an annual simple interest rate of 8% with 2 years maturity 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. We extended the maturity date by one year in 2023 and exercised our right under the convertible loan to convert all of the principal and the accrued interest into Beijing OrionStar's equity interest in Jan 2024.

#### ***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.

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 17.25% voting rights 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, 2021, 2022 and 2023, we recognized total revenue of RMB11.7 million, RMB33.3 million and RMB35.0 million (US\$4.9 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, 2021, 2022 and 2023, we recognized total revenue of RMB9.6 million, RMB0.4 million and RMB1.0 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 17. Commitment and Contingencies—Litigation and investigation" to our consolidated financial statements for the years ended December 31, 2021, 2022 and 2023 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 the material 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 its 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 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 generally are not expected to be subject to United States federal income tax. The remainder of this discussion assumes that a U.S. holder of ADSs will be treated in this manner.

### ***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 depository, 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 may 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, 2023, 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 paid on the ADSs or Class A ordinary shares 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 the 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 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 the 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 their 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 Treasury Regulations.

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2023, 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***

Based on the market price of our ADSs, the value, nature 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, 2023, although there can be no assurance in this regard.

A non-United States corporation, such as our company, will be a PFIC for United States federal income tax purposes, if, in the case of any particular taxable year, after applying applicable look-through rules, 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 generally 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.

If we are a PFIC for any taxable year during which a U.S. holder holds the ADSs or Class A ordinary shares (as we believe we are for the 2023 taxable year and the prior two years), 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. Additionally, unless the U.S. holder makes a mark-to-market election or a qualified electing fund (QEF) election (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 (as we believe we are for the 2023 taxable year and the prior two years) 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 the 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 taxable 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 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 generally 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](http://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 depository 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 depository 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 depository 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 RMB25.4 million, RMB35.7 million and RMB62.0 million (US\$8.7 million), and interest expense of nil, nil and RMB1.1 million (US\$0.2 million), for the years ended December 31, 2021, 2022 and 2023, 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 component price may in turn increase our cost in robots 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 depository 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 depository 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 depository may collect its annual fee for depository 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 depository may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid. The depository's corporate trust office at which the ADSs will be administered is located at 240 Greenwich Street, New York, NY 10286, United States. The depository's principal executive office is located at 240 Greenwich Street, New York, NY 10286, United States.

<b>Persons depositing or withdrawing shares must pay:</b>	<b>For:</b>
\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	<ul style="list-style-type: none"><li>• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property</li><li>• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates</li></ul>
\$.05 (or less) per ADS	<ul style="list-style-type: none"><li>• Any cash distribution to ADS holders</li></ul>
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	<ul style="list-style-type: none"><li>• Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS holders</li></ul>
\$.05 (or less) per ADSs per calendar year	<ul style="list-style-type: none"><li>• Depository services</li></ul>
Registration or transfer fees	<ul style="list-style-type: none"><li>• Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares</li></ul>
Expenses of the depository	<ul style="list-style-type: none"><li>• Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)</li><li>• converting foreign currency to U.S. dollars</li></ul>
Taxes and other governmental charges the depository or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	<ul style="list-style-type: none"><li>• As necessary</li></ul>
Any charges incurred by the depository or its agents for servicing the deposited securities	<ul style="list-style-type: none"><li>• As necessary</li></ul>

### **Fees and Other Payments Made by the Depository to Us**

The depository 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 depository 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 depository will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depository 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, 2023, our disclosure controls and procedures were effective.

#### 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 effective as of December 31, 2023.

#### 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, 2022, 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, 2022. The material weakness identified was lack of sufficient expertise in determining fair value measurement for valuation of certain long-term investments.

Following the identification of the above-mentioned material weakness, we have taken measures to remediate the material weakness including but not limited to (i) improving the review and monitoring control over the fair value measurement for valuation by conducting more detailed review of valuation analysis; (ii) carrying out in-depth training on valuation review including complex valuation model and techniques for accounting and reporting personal, and assign the well-trained reporting director as the responsible person for determining and reviewing the properness of fair value measurement. During the fiscal year ended December 31, 2023, our management completed the design, implementation and testing of the newly designed and enhanced controls and determined that, as of December 31, 2023, 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.

	2022	2023
	(in thousands)	
Audit fees <sup>(1)</sup>	US\$1,391	US\$1,232
Tax fees <sup>(2)</sup>	US\$117	US\$99

Notes:

- (1) Audit fees means the aggregate fees incurred 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.
- (2) Tax fees means the aggregated fees incurred in each of the fiscal periods listed for professional services rendered by our former auditor, Ernst & Young Hua Ming LLP and their respective affiliates, 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 and their respective affiliates.

#### **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:

- 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;
- a majority of the board consisting of independent directors;
- shareholders' approval of all equity-compensation plans and material revisions thereto; and
- annual shareholders' meeting.

We obtained the board approval but not shareholder approval for adopting the 2023 Plan, and did not hold an annual shareholders' meeting in 2023. 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**

Not applicable.

#### **Item 16J. Insider Trading Policies**

Not applicable.

#### **Item 16K. Cybersecurity**

#### **Risk Management and Strategy**

Faced with an increasingly complex internet environment and frequent hacker attacks, we recognize that cybersecurity threats may pose serious challenges to our operations. Over the years, we have developed and regularly refined a robust suite of cybersecurity management systems to bolster our defenses, including standards for vulnerability management, incident handling, secure coding, employee conduct, and data control. These systems are complemented by monthly information security reports that track external attacks and disseminate alerts within our company. Concurrently, we undertake thorough cybersecurity risk assessments that encompass our

technological framework, data assets, and operational procedures. Through comprehensive evaluations, we identify and rank potential risks, enabling us to allocate resources and adapt our strategies to mitigate the most pressing threats. This approach is integral for maintaining an effective cyber protection ecosystem.

We have also deployed a comprehensive cybersecurity defense program, which is built on a multi-layered architecture that extends across network boundaries, endpoints, applications, and data, fortified by real-time monitoring through a security information and event management system. Measures such as advanced firewalls, intrusion detection, antivirus defenses, application security protocols, and robust encryption safeguard our digital infrastructure. Additionally, we foster a culture of security awareness through continuous education and a dedicated portal for cybersecurity updates. The expertise of independent third-party professionals also plays a pivotal role in our cybersecurity strategy, offering valuable guidance to identify improvement opportunities across our processes and controls.

As of the date of this annual report, we have not experienced any material cybersecurity incidents or identified any material cybersecurity threats that have affected or are reasonably likely to materially affect us, our business strategy, results of operations or financial condition.

## **Governance**

Our board of directors oversees our overall management of assorted risks, including those arising out of cybersecurity threats or incidents. Under the supervision and guidance of our board of directors, we have established and maintained necessary processes for assessing, identifying, monitoring, and mitigating cybersecurity risks. Our board of directors also works to ensure that we have appropriated adequate resources for implementing these processes to protect our company against cybersecurity threats and incidents. Edward Mingyan Sun, our senior vice president, plays a leading role in policy formulation, risk assessment, and defense construction in relation to risks of cybersecurity threats. Not only did Mr. Sun serve management roles at reputable technology companies such as Qihoo 360 and Trent Micro, but he also has extensive experience in the development and application of cybersecurity products.

We have also established a dedicated security department responsible for our company's everyday cybersecurity maintenance. Our security department works closely with the management to foster a culture of security awareness and ensure the rigorous enforcement of cybersecurity policies. The department is engaged in deploying robust security controls to safeguard our digital infrastructure and committed to performing comprehensive routine checks to preemptively identify and mitigate potential cybersecurity threats. A critical aspect of its role involves providing expert guidance and oversight to various teams within the company, ensuring that all employees adhere strictly to established protocols related to cybersecurity and privacy. Once risks of cybersecurity threats or incidents that may materially affect our operations are identified, the security department shall inform our board of directors on a timely basis and prepare disclosure materials thereon as needed for the approval by our board of directors.

## 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

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<a href="#"><u>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)</u></a>
2.1	<a href="#"><u>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)</u></a>
2.2	<a href="#"><u>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)</u></a>
2.3	<a href="#"><u>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)</u></a>
2.4	<a href="#"><u>Description of Securities (incorporated by reference to Exhibit 2.4 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 18, 2023)</u></a>
4.1	<a href="#"><u>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)</u></a>
4.2	<a href="#"><u>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)</u></a>
4.3	<a href="#"><u>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)</u></a>
4.4	<a href="#"><u>2023 share incentive plan (incorporated by reference to Exhibit 4.4 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 18, 2023)</u></a>
4.5	<a href="#"><u>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)</u></a>
4.6	<a href="#"><u>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)</u></a>
4.7	<a href="#"><u>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)</u></a>
4.8	<a href="#"><u>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)</u></a>

Exhibit Number	Description of Document
4.9	<a href="#"><u>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)</u></a>
4.10	<a href="#"><u>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)</u></a>
4.11	<a href="#"><u>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)</u></a>
4.12	<a href="#"><u>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)</u></a>
4.13	<a href="#"><u>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)</u></a>
4.14	<a href="#"><u>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)</u></a>
4.15	<a href="#"><u>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)</u></a>
4.16	<a href="#"><u>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)</u></a>
4.17	<a href="#"><u>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)</u></a>
4.18	<a href="#"><u>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)</u></a>
4.19	<a href="#"><u>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)</u></a>
4.20	<a href="#"><u>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)</u></a>
4.21	<a href="#"><u>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)</u></a>
4.22	<a href="#"><u>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)</u></a>

Exhibit Number	Description of Document
4.23	<a href="#"><u>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)</u></a>
4.24	<a href="#"><u>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)</u></a>
4.25	<a href="#"><u>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)</u></a>
4.26	<a href="#"><u>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)</u></a>
4.27	<a href="#"><u>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)</u></a>
4.28	<a href="#"><u>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)</u></a>
4.29	<a href="#"><u>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)</u></a>
4.30	<a href="#"><u>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)</u></a>
4.31	<a href="#"><u>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)</u></a>
4.32	<a href="#"><u>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)</u></a>
4.33	<a href="#"><u>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)</u></a>
4.34	<a href="#"><u>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)</u></a>
4.35	<a href="#"><u>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)</u></a>

Exhibit Number	Description of Document
4.36	<a href="#"><u>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)</u></a>
4.37	<a href="#"><u>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)</u></a>
4.38	<a href="#"><u>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)</u></a>
4.39	<a href="#"><u>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)</u></a>
4.40	<a href="#"><u>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)</u></a>
4.41	<a href="#"><u>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)</u></a>
4.42	<a href="#"><u>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)</u></a>
4.43	<a href="#"><u>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)</u></a>
4.44	<a href="#"><u>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)</u></a>
4.45	<a href="#"><u>Spousal consent, signed by Xinchun 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)</u></a>
4.46	<a href="#"><u>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)</u></a>
4.47	<a href="#"><u>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)</u></a>
4.48	<a href="#"><u>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)</u></a>
4.49	<a href="#"><u>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)</u></a>
4.50	<a href="#"><u>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)</u></a>
4.51	<a href="#"><u>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)</u></a>



Exhibit Number	Description of Document
4.52	<a href="#"><u>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)</u></a>
4.53	<a href="#"><u>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)</u></a>
4.54	<a href="#"><u>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)</u></a>
4.55	<a href="#"><u>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)</u></a>
4.56	<a href="#"><u>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)</u></a>
4.57	<a href="#"><u>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)</u></a>
4.58	<a href="#"><u>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)</u></a>
4.59	<a href="#"><u>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)</u></a>
4.60	<a href="#"><u>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)</u></a>
4.61	<a href="#"><u>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)</u></a>
4.62	<a href="#"><u>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)</u></a>
4.63	<a href="#"><u>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)</u></a>
4.64	<a href="#"><u>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)</u></a>
4.65	<a href="#"><u>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)</u></a>

Exhibit Number	Description of Document
4.66	<a href="#">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)</a>
4.67	<a href="#">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)</a>
4.68	<a href="#">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)</a>
4.69*†	<a href="#">Equity Transfer Agreement between Beijing Kingsoft Internet Security Software Co., Ltd. and Sheng Fu, dated October 31, 2023, with respect to Beijing OrionStar Technology Co., Ltd.</a>
4.70*†	<a href="#">Equity Transfer Agreement between Beijing Kingsoft Internet Security Software Co., Ltd., Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership) and Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership) dated November 30, 2023, with respect to Beijing OrionStar Technology Co., Ltd</a>
4.71*†	<a href="#">Equity Transfer Agreement between Beijing Kingsoft Internet Security Software Co., Ltd. and Norma (Shanghai) Investment Consulting Company, dated November 30, 2023, with respect to Beijing OrionStar Technology Co., Ltd.</a>
4.72*†	<a href="#">Equity Transfer Agreement between Beijing Kingsoft Internet Security Software Co., Ltd. and Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership), dated November 30, 2023, with respect to Beijing OrionStar Technology Co., Ltd.</a>
4.73*†	<a href="#">Equity Transfer Agreement between Cheetah Technology Corporation Limited and West Origin Orion LP, dated November 30, 2023, with respect to Beijing OrionStar Technology Co., Ltd.</a>
4.74*†	<a href="#">Equity Transfer Agreement between Cheetah Technology Corporation Limited and Future Capital Discovery Fund II, L.P., dated November 30, 2023, with respect to Beijing OrionStar Technology Co., Ltd.</a>
4.75*†	<a href="#">Share Purchase Agreement in respect of Beijing OrionStar Technology Co., Ltd., dated January 9, 2024, among Gongqingcheng Orion Industrial Investment Center (Limited Partnership), Cheetah Technology Corporation Limited, and Beijing Kingsoft Internet Security Software Co., Ltd.</a>
8.1*	<a href="#">List of significant subsidiaries and VIEs</a>
11.1	<a href="#">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)</a>
12.1*	<a href="#">Certification by principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
12.2*	<a href="#">Certification by principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
13.1**	<a href="#">Certification by principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
13.2**	<a href="#">Certification by principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
15.1*	<a href="#">Consent of Global Law Office</a>
15.2*	<a href="#">Consent of Ernst &amp; Young Hua Ming LLP</a>
15.3*	<a href="#">Consent of Marcum Asia CPAs LLP</a>
15.4	<a href="#">Letter from Ernst &amp; Young Hua Ming LLP to the Securities and Exchange Commission, dated April 18, 2023 (incorporated by reference to Exhibit 15.4 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 18, 2023)</a>
97.1*	<a href="#">Clawback Policy</a>

Exhibit Number	Description of Document
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 With Embedded Linkbase Documents
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

\*\* Furnished herewith.

† Portions of this document have been omitted because they are both not material and are the type that we treat as private or confidential.

## 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, 2024

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## 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 sheets of Cheetah Mobile Inc. (the "Company") as of December 31, 2022 and 2023, the related consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for each of the two years in the period ended December 31, 2023, 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 2023, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited the adjustments to the 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 20. 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 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 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 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 audits 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 audits 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 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.

### 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.

#### *Purchase price allocation for business combination*

##### *Description of the Matter*

On November 30, 2023, the Company acquired additional 35.17% equity interest of Beijing OrionStar and consolidated its financial results since November 30, 2023. The aggregate consideration is RMB773.1 million, which is comprised of cash consideration of RMB268.7 million, fair value of previously held equity interests RMB316.7 million and settlement of pre-existing convertible debt and receivables of RMB187.7 million. As of the acquisition date, the purchase price was allocated to the identified assets and liabilities assumed, which were recorded at fair value, mainly including intangible assets with finite lives of RMB212.0 million and goodwill of RMB577.0 million. Management applied significant judgments and estimates in the determination of the appropriate valuation models used in support of the purchase price allocation and the application of significant assumptions in the model.

Auditing the purchase price allocation was complex and required subjective auditor judgment due to the significant inputs used when measuring the fair value, including forecasted revenue, EBIT margin, discount rate, 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 business combination and the management review control over the fair value measurement related to business combination.

We performed audit procedures that included, among others, reading the share purchase agreements, testing the significant inputs and the underlying data used by the Company. We tested the income approach and evaluated the reasonableness of the significant inputs and assumptions in its projected financial information. We obtained and evaluated the evidence to support the key 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 discount rate 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 based on management's significant inputs and compared them to the Company's valuation results.

***Impairment assessment of equity investments accounted for using the measurement alternative***

*Description of the Matter*

As of December 31, 2023, the Company's consolidated balance of equity investments accounted for using the measurement alternative was RMB 539.4 million. The Company makes a qualitative assessment considering impairment indicators to evaluate whether investments are impaired at each reporting date. If a qualitative assessment indicates that an investment is impaired, the Company estimates the investment's fair value and recognizes an impairment loss if the fair value is less than the investment's carrying value.

Auditing the Company's impairment assessment was complex and required subjective auditor judgment due to the significant judgment involved in management's assessment of whether indicators of impairment existed, and if so, determining whether these investments were impaired. In addition, auditing the fair value of the Company's investments in investees without observable market prices was highly judgmental due to the subjectivity of the unobservable inputs used by management in the valuation methodologies to determine the fair value for these investments, including selection of comparable companies, volatility, and probability of exit events as it relates to liquidation and redemption preferences. These unobservable inputs and resulting fair value estimates may be affected by unexpected changes in 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 impairment indicators assessment and the management review control over the Company's fair value measurement of its long-term investments.

To test the impairment assessment of equity investments accounted for using the measurement alternative, we performed audit procedures that included, among others, evaluating management's assessment as to whether indicators of impairment existed and investments were impaired by considering the financial condition and operating results of the investees, as well as other relevant market information.

With the assistance of our valuation specialists, we evaluated the appropriateness of the valuation methodologies used by management to determine the fair value of investments and performed audit procedures on the significant inputs and the underlying data used by (i) obtaining understanding of the comparable companies and assessing the reasonableness of the selection, (ii) comparing to industry, business, market data or information available from third-party sources. We also performed recalculation of the fair value of long-term 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.

Marcum Asia CPAs LLP

We have served as the Company's auditor since 2022.  
Beijing, China  
April 18, 2024



## 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 20, the accompanying consolidated statements of comprehensive loss, cash flows and changes in shareholders' equity for the year 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 20, present fairly, in all material respects, the results of the Company's operations and its cash flows for the year 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 20, 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, 2022 AND 2023**

(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,		
		2022	2023	
		RMB	RMB	US\$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		1,515,799	2,020,191	284,538
Restricted cash		696	—	—
Short-term investments	4	156,182	1,023	144
Accounts receivable (net of allowance for credit losses of RMB102,161 and RMB132,881 (US\$18,716) as of December 31, 2022 and 2023, respectively)	5	283,774	401,064	56,489
Prepayments and other current assets, net	6	968,145	973,127	137,062
Due from related parties, net	15	199,099	71,505	10,071
<b>Total current assets</b>		<b>3,123,695</b>	<b>3,466,910</b>	<b>488,304</b>
<b>Non-current assets</b>				
Property and equipment, net	7	58,727	53,884	7,589
Operating lease right-of-use assets	10	39,579	30,451	4,289
Intangible assets, net	8	8,430	218,559	30,783
Goodwill	9	—	576,989	81,267
Long-term investments	4	1,792,331	937,460	132,038
Due from related parties, net	15	3,840	—	—
Deferred tax assets	14	19,337	188,503	26,550
Other non-current assets		93,480	160,428	22,597
<b>Total non-current assets</b>		<b>2,015,724</b>	<b>2,166,274</b>	<b>305,113</b>
<b>Total assets</b>		<b>5,139,419</b>	<b>5,633,184</b>	<b>793,417</b>
<b>LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY</b>				
Current liabilities (including current liabilities of the VIEs and VIEs' subsidiaries without recourse to the Company amounting to RMB226,846 and RMB247,735 (US\$34,893) as of December 31, 2022 and 2023, respectively) (Note 1)				
Bank Loans		—	5,000	704
Accounts payable		132,994	170,185	23,970
Accrued expenses and other current liabilities	11	1,586,769	2,437,210	343,273
Due to related parties	15	23,629	84,147	11,852
Income tax payable		35,135	31,603	4,451
<b>Total current liabilities</b>		<b>1,778,527</b>	<b>2,728,145</b>	<b>384,250</b>

**CHEETAH MOBILE INC.**  
**CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**AS OF DECEMBER 31, 2022 AND 2023**

(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,		
		2022	2023	
		RMB	RMB	US\$
<b>Non-current liabilities</b> (including non-current liabilities of the VIEs and VIEs’ subsidiaries without recourse to the Company amounting to RMB2,339 and RMB 2,837(US\$400) as of December 31, 2022 and 2023, respectively) (Note 1)				
Deferred tax liabilities	14	55,770	54,540	7,682
Other non-current liabilities	11	200,336	189,943	26,753
<b>Total non-current liabilities</b>		<b>256,106</b>	<b>244,483</b>	<b>34,435</b>
<b>Total liabilities</b>		<b>2,034,633</b>	<b>2,972,628</b>	<b>418,685</b>
<b>Commitments and contingencies</b>	17			
<b>Mezzanine equity:</b>				
Redeemable noncontrolling interests	19	—	105,978	14,927
<b>Shareholders’ equity</b>				
Class A ordinary shares (par value of US\$0.000025 per share; 7,600,000,000 shares authorized; 480,604,900 and 493,104,900 shares issued as of December 31, 2022 and 2023, respectively; 479,458,004 and 487,212,501 shares outstanding as of December 31, 2022 and 2023, respectively)	18	80	81	11
Class B ordinary shares (par value of US\$0.000025 per share; 1,400,000,000 shares authorized; 970,015,685 and 1,006,956,885 shares issued as of December 31, 2022 and 2023, respectively; 970,015,685 and 1,006,956,885 shares outstanding as of December 31, 2022 and 2023, respectively)	18	156	163	23
Additional paid-in capital		2,688,571	2,711,875	381,960
Accumulated losses	18	(9,424)	(613,102)	(86,354)
Accumulated other comprehensive income	18	353,948	356,854	50,262
<b>Total Cheetah Mobile Inc. shareholders’ equity</b>		<b>3,033,331</b>	<b>2,455,871</b>	<b>345,902</b>
Noncontrolling interests		71,455	98,707	13,903
<b>Total shareholders’ equity</b>		<b>3,104,786</b>	<b>2,554,578</b>	<b>359,805</b>
<b>Total liabilities, mezzanine equity and shareholder's equity</b>		<b>5,139,419</b>	<b>5,633,184</b>	<b>793,417</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CHEETAH MOBILE INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

(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,			
		2021	2022	2023	
		RMB	RMB	RMB	US\$
<b>Revenues (a)</b>					
Internet business		653,759	697,387	450,134	63,400
AI and others		130,857	186,679	219,369	30,898
<b>Total Revenues</b>		<b>784,616</b>	<b>884,066</b>	<b>669,503</b>	<b>94,298</b>
Cost of revenues (a)		(257,656)	(252,561)	(231,940)	(32,668)
<b>Gross profit</b>		<b>526,960</b>	<b>631,505</b>	<b>437,563</b>	<b>61,630</b>
<b>Operating income and expenses (a)</b>					
Research and development		(211,594)	(180,957)	(178,207)	(25,100)
Selling and marketing		(370,274)	(476,853)	(242,511)	(34,157)
General and administrative		(191,868)	(214,337)	(229,549)	(32,331)
Other operating income, net		17,205	15,051	2,867	404
<b>Total operating expenses</b>		<b>(756,531)</b>	<b>(857,096)</b>	<b>(647,400)</b>	<b>(91,184)</b>
<b>Operating loss</b>		<b>(229,571)</b>	<b>(225,591)</b>	<b>(209,837)</b>	<b>(29,554)</b>
<b>Other income (expenses)</b>					
Interest income, net		25,391	35,710	60,978	8,589
Foreign exchange gains (losses), net		24,288	(95,434)	(11,421)	(1,609)
Other income	3/4	252,998	101,265	96,765	13,630
Other expense	3/4	(412,677)	(361,730)	(574,135)	(80,866)
<b>Loss before taxes</b>		<b>(339,571)</b>	<b>(545,780)</b>	<b>(637,650)</b>	<b>(89,810)</b>
Income tax (expenses) benefits	14	(13,633)	25,089	43,781	6,166
<b>Net loss</b>		<b>(353,204)</b>	<b>(520,691)</b>	<b>(593,869)</b>	<b>(83,644)</b>
<b>Less: net (loss)/ income attributable to noncontrolling interests</b>		<b>(2,078)</b>	<b>(7,216)</b>	<b>9,029</b>	<b>1,272</b>
<b>Net loss attributable to Cheetah Mobile Inc.</b>		<b>(351,126)</b>	<b>(513,475)</b>	<b>(602,898)</b>	<b>(84,916)</b>
<b>Losses per share</b>	20				
Basic		(0.2469)	(0.3617)	(0.4095)	(0.0577)
Diluted		(0.2469)	(0.3619)	(0.4100)	(0.0577)
<b>Losses per ADS (1 ADS represent 50 Class A ordinary share) (b)</b>	20				
Basic		(12.3469)	(18.0854)	(20.4740)	(2.8837)
Diluted		(12.3469)	(18.0954)	(20.4977)	(2.8870)
<b>Weighted average number of shares used in computation of ordinary shares:</b>					
Basic		1,430,052,602	1,443,682,305	1,472,615,281	1,472,615,281
Diluted		1,430,052,602	1,443,682,305	1,472,615,281	1,472,615,281

**CHEETAH MOBILE INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

(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,			
		2021 RMB	2022 RMB	2023 RMB	US\$
<b>Other comprehensive (loss) income, net of tax of nil</b>	18				
Foreign currency translation adjustments		(75,536)	271,640	45,769	6,446
Unrealized losses on available-for-sale securities, net		—	(8,269)	(43,494)	(6,126)
<b>Other comprehensive (loss) income</b>		<b>(75,536)</b>	<b>263,371</b>	<b>2,275</b>	<b>320</b>
<b>Total comprehensive loss</b>		<b>(428,740)</b>	<b>(257,320)</b>	<b>(591,594)</b>	<b>(83,324)</b>
<b>Less: total comprehensive (loss)/ income attributable to noncontrolling interests</b>		<b>(2,536)</b>	<b>(9,531)</b>	<b>8,398</b>	<b>1,183</b>
<b>Total comprehensive loss attributable to Cheetah Mobile Inc.</b>		<b>(426,204)</b>	<b>(247,789)</b>	<b>(599,992)</b>	<b>(84,507)</b>

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,			
	2021 RMB	2022 RMB	2023 RMB	US\$
Revenues	70,444	53,706	52,663	7,417
Cost of revenues	(61,429)	(41,102)	(29,367)	(4,136)
Research and development	(2,557)	(4,143)	(8,632)	(1,216)
Selling and marketing	(1,178)	(89)	(1,419)	(200)
General and administrative	(5,303)	(3,441)	(7,292)	(1,027)

Details of the related party transactions are set out in Note 15(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 20).

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, 2021, 2022 AND 2023**

(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,			
	2021 RMB	2022 RMB	2023 RMB	US\$
<b>Cash flows from operating activities</b>				
<b>Net loss</b>	<b>(353,204)</b>	<b>(520,691)</b>	<b>(593,869)</b>	<b>(83,644)</b>
<b>Adjustments to reconcile net loss to net cash from operating activities</b>				
Depreciation of property and equipment	45,751	49,208	27,842	3,921
Amortization of intangible assets	5,071	3,817	7,420	1,045
Non-cash operating lease expense	18,533	6,393	319	45
Provision for credit losses	13,688	29,556	12,363	1,741
Impairment of assets	394,979	261,835	534,826	75,329
Foreign currency exchange (gains) losses	(29,799)	95,434	11,421	1,609
Losses (Gains) on disposal of property and equipment and intangible assets	447	(7,257)	(31,751)	(4,472)
Losses (Gains) on disposal/deemed disposal of businesses and subsidiaries/VIEs	2,487	(254)	—	—
Gains on disposal of investments	(92,143)	(32,536)	(21,676)	(3,053)
Changes in fair value of financial assets	(90,606)	25,658	(116)	(16)
Share of (income) losses from equity method investments	(60,992)	12,143	2,564	361
Deferred income tax expenses (benefits)	920	(12,881)	(44,631)	(6,286)
Share-based compensation expenses	7,150	7,863	33,554	4,726
<b>Changes in operating assets and liabilities</b>				
Accounts receivable	56,990	(103,567)	(122,478)	(17,251)
Prepayments and other current assets	315,614	(447,179)	9,360	1,318
Due from related parties	68,753	17,736	(24,520)	(3,454)
Other non-current assets	979	9,225	(54,900)	(7,733)
Accounts payable	31,272	(10,391)	9,701	1,366
Accrued expenses and other current liabilities	(201,293)	236,332	791,702	111,509
Operating lease liabilities	(37,770)	(4,335)	1,178	166
Due to related parties	(10,518)	(15,054)	6,684	941
Income tax payable	17,954	(11,776)	(3,532)	(497)
Other non-current liabilities	(1,452)	(13,528)	(999)	(141)
<b>Net cash provided by (used in) operating activities</b>	<b>102,811</b>	<b>(424,249)</b>	<b>550,462</b>	<b>77,530</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment and intangible assets	(46,818)	(6,783)	(9,680)	(1,363)
Purchase of long-term investments	(9,500)	(69,581)	(23,707)	(3,339)
Purchase of short-term investments	(3,630,357)	(1,005,110)	(1,176,030)	(165,640)
Proceeds from maturity of short-term investments	3,726,028	1,111,461	1,332,544	187,685
Proceeds from disposal of businesses and subsidiaries/VIE’s subsidiaries, net of cash acquired	45,043	—	—	—
Proceeds from disposal of property and equipment and intangible assets	199	7,516	31,751	4,472

**CHEETAH MOBILE INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

(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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Proceeds from disposals and distributions of long-term investments	188,193	153,549	36,556	5,149
Loans to related parties	(100,000)	—	—	—
Loans to third parties	(600)	(5,000)	(3,000)	(423)
Repayment of loans from related parties	38,848	—	—	—
Repayment of loans from third parties	9,800	3,000	653	92
Purchase of subsidiaries, net of cash acquired	—	—	(238,148)	(33,542)
<b>Net cash provided by (used in) investing activities</b>	<b>220,836</b>	<b>189,052</b>	<b>(49,061)</b>	<b>(6,909)</b>
<b>Cash flows from financing activities</b>				
Purchase of share awards and shares from noncontrolling shareholders	(4,620)	(4,866)	(5,869)	(827)
Payment of dividends to noncontrolling shareholders and owners of share awards	(5,020)	—	(909)	(128)
<b>Net cash used in financing activities</b>	<b>(9,640)</b>	<b>(4,866)</b>	<b>(6,778)</b>	<b>(955)</b>
<b>Effect of exchange rate changes on cash and cash equivalents and restricted cash</b>	<b>(29,755)</b>	<b>171,851</b>	<b>9,073</b>	<b>1,278</b>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>	<b>284,252</b>	<b>(68,212)</b>	<b>503,696</b>	<b>70,944</b>
<b>Cash and cash equivalents and restricted cash at beginning of year</b>	<b>1,300,455</b>	<b>1,584,707</b>	<b>1,516,495</b>	<b>213,594</b>
<b>Cash and cash equivalents and restricted cash at end of year</b>	<b>1,584,707</b>	<b>1,516,495</b>	<b>2,020,191</b>	<b>284,538</b>
<b>Supplemental disclosures</b>				
Cash payments for income taxes	(5,974)	(12,365)	(1,752)	(247)
Cash payments for interest expenses	(8)	—	—	—
Cash payments for operating leases	(37,448)	(15,446)	(14,925)	(2,102)
Right-of-use assets (released) obtained in exchange for operating lease liabilities-Non-cash	52,338	9,768	10,032	1,413
<b>Non-cash investing and financing activities:</b>				
Acquisition of property and equipment and intangible assets included in accrued expenses and other current liabilities	3,917	5,896	664	94
Disposal of investment, businesses and subsidiaries included in prepayments and other current assets	57,611	9,348	—	—

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, 2021, 2022 AND 2023**

(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
<b>Balance at December 31, 2020</b>	482,113,756	78	945,496,827	156	2,726,619	163,340	857,188	3,747,381	41,011	3,788,392
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)
<b>Balance at December 31, 2021</b>	<b>487,234,522</b>	<b>79</b>	<b>945,496,827</b>	<b>156</b>	<b>2,685,544</b>	<b>88,262</b>	<b>505,085</b>	<b>3,279,126</b>	<b>81,017</b>	<b>3,360,143</b>



**CHEETAH MOBILE INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

(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)	
<b>Balance at December 31, 2022</b>		<b>479,458,004</b>	<b>80</b>	<b>970,015,685</b>	<b>156</b>	<b>2,688,571</b>	<b>353,948</b>	<b>(9,424)</b>	<b>3,033,331</b>	<b>71,455</b>	<b>3,104,786</b>

**CHEETAH MOBILE INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

(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)	Accumulated losses	Total Cheetah Mobile Inc. shareholder's equity	Noncontrolling interests	Total equity	Contingently redeemable noncontrolling interests
		RMB		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Net loss	—	—	—	—	—	—	(602,898)	(602,898)	9,029	(593,869)	—
Share-based compensation	—	—	—	—	27,685	—	—	27,685	—	27,685	—
Exercise and vesting of share-based awards, including subsidiaries' awards	7,754,497	—	36,941,200	7	(4,129)	—	—	(4,121)	4,121	—	—
Other comprehensive income (loss)	—	—	—	—	—	2,906	—	2,906	(631)	2,275	—
Accretion of redeemable noncontrolling interests	—	—	—	—	(252)	—	—	(252)	—	(252)	252
Dividends declared on share awards of consolidated subsidiaries	—	—	—	—	—	—	(780)	(780)	(129)	(909)	—
Noncontrolling interest in connection with business acquisitions	—	—	—	—	—	—	—	—	14,862	14,862	105,726
<b>Balance at December 31, 2023</b>	487,212,501	81	1,006,956,885	163	2,711,875	356,854	(613,102)	2,455,871	98,707	2,554,578	105,978
<b>Balance at December 31, 2023 in US\$</b>	487,212,501	11	1,006,956,885	23	381,960	50,262	(86,354)	345,902	13,903	359,805	14,927

**CHEETAH MOBILE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

**(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.

**CHEETAH MOBILE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

**(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)**

Details of the Company’s principal subsidiaries and VIEs as of December 31, 2023 are as follows:

<b>Company</b>	<b>Date of incorporation/ registration</b>	<b>Place of incorporation/ registration</b>	<b>Percentage of ownership (i)</b>	<b>Principal activities</b>
<b>Principal subsidiaries of the Company:</b>				
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
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	40.2%	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
Zhuhai Baobaohong Technology Co., Ltd	February 20, 2019	The PRC	75.0%	Provision of internet products and related services
Zhuhai Baohaowan Technology Co., Ltd.	July 17, 2018	The PRC	75.0%	Provision of internet products and related services
Beijing Orion Star Technology Co., Ltd.	September 19, 2016	The PRC	72.1%	Provision of AI solution, sale and rental of service robot
Hongkong Cheetah Mobile Technology Limited(Hong Kong)	March 9, 2015	Hong Kong	100.0%	Investment holding
Conew.com Corporation (BVI)	October 6, 2008	British Virgin Islands	100.0%	Investment holding
Cheepop Inc.(Cayman)	May 26, 2017	Cayman	100.0%	Investment holding
Cheetah Mobile Seal Inc. (Cayman)	July 24, 2018	Cayman	75.0%	Investment holding
Cheetah Mobile Calls Hong Kong Limited	July 24, 2018	Hong Kong	75.0%	Investment holding, provision of internet products and related services
Zhuhai Juntian Electronic Technology Co., Ltd.	September 28, 2000	The PRC	100.0%	Investment holding, provision of internet products and related services
<b>VIEs:</b>				
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.

## CHEETAH MOBILE INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023

(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)

#### *VIE arrangements*

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 internet information services and value-added telecommunication services 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 the Group to be able to carry out its business in China, the Group conducts part of its operations in China through the VIEs including but not limited to Beijing Mobile, Beijing Network, and Beijing Conew. Each of Beijing Mobile (which is owned as to 35% by Mr. Sheng Fu and 65% by Ms. Weiqin Qiu), Beijing Network (which is owned as to 50% by Mr. Kun Wang and 50% by Mr. Wei Liu), and Beijing Conew (which is owned as to 62.73% by Mr. Sheng Fu and 37.27% by Mr. Kun Wang) holds the requisite ICP Licenses. The Group has been and is expected to continue to be dependent on the VIEs to operate its business in China if the then PRC law does not allow it to directly operate such business in China. The Group believes that under these contractual arrangements, it has 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 the Group to continue to operate our business in China validly and legally.

The Group’s contractual arrangements with each of the VIEs and their shareholders enable the Group 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, the Company’s 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.

The following is a summary of the Contractual Agreements amongst the Company, Beijing Security, Beijing Mobile (as the VIE), and Beijing Mobile’s Nominee Shareholders. 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 Beijing Security and the VIE, the VIE engaged the Beijing Security 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. Beijing Security 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 Beijing Security.

#### *Loan agreements*

Pursuant to the loan agreements among Beijing Security, the Nominee Shareholders and the VIE, Beijing Security 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, 2023, the aggregate amount of these loans was RMB16,800 (US\$2,366). At the option of Beijing Security, repayment may be requested at any time, which may be in the form of transferring the VIE’s equity interest to Beijing Security 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 Beijing Security or its designees.

## CHEETAH MOBILE INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023

(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)

#### *Exclusive equity option agreements*

Under the exclusive equity option agreement by and among the Company, the VIE, and its nominee shareholders, the 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 nominee shareholders in the VIE or to acquire, all or part of the assets owned by the VIE 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 nominee shareholders to Beijing Security due to the fulfillment of the registered capital paid obligations in the VIE. In addition, this agreement stipulates that the Company can provide financial support to the VIE to the extent permissible under the applicable PRC laws and regulations, regardless of whether the VIE has incurred an operational loss. The form of financial support includes but is not limited to entrusted loans and borrowings. The Company will not request repayment of any outstanding loans or borrowings from the VIE if the VIE does not have sufficient funds or is 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 decadal basis.

#### *Equity pledge agreements*

Pursuant to the equity pledge agreement entered into among the nominee shareholders, the VIE and Beijing Security, the nominee shareholders pledged all of their equity interest in the VIE to Beijing Security as collateral for all of their payments due to Beijing Security and to secure their obligations under the above agreements. Without the prior written consent of Beijing Security, 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. Beijing Security is entitled to transfer or assign in full, or in part, the equity interest pledged. In the event of default, Beijing Security 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 Company, each of the nominee shareholders irrevocably nominates, appoints and constitutes any person designated by the 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 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 Company 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 Beijing Security, the nominee shareholders must appoint candidates designated by Beijing Security as the members of the board of the VIE and Beijing Security 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 Beijing Security. The nominee shareholders also agree to unconditionally pay or transfer to Beijing Security 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 Beijing Security. Neither the VIE nor the nominee shareholders may terminate this agreement.

#### *Spousal consent letters*

The spouse of certain nominee 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.

## CHEETAH MOBILE INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023

(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)

Despite the lack of technical majority ownership, there exists a parent-subsidary relationship between the Company 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 Company. Furthermore, pursuant to the exclusive equity option agreements, which include a substantive kick-out right, the Company has 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 Company demonstrates 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 has 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 Company. Senior management of the Company, all employees of the Company's subsidiaries, 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 Company has the power to direct the activities of the VIEs that most significantly impact their economic performance.

Thus, the Company is considered as the primary beneficiary of the VIEs. As a result of the above, the Company, through its subsidiaries, consolidate the VIEs in accordance with SEC Regulation S-X 3A-02 and Accounting Standards Codification (“ASC”) 810, *Consolidation* (“ASC 810”).

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 Company, its subsidiaries, 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 Company'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. Uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules 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

**CHEETAH MOBILE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

**(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)**

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.

The assets and liabilities of the VIEs and subsidiaries of VIEs are as follows:

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Cash and cash equivalents	221,732	176,711	24,889
Short-term investments	63,035	—	—
Accounts receivable, net	14,050	28,918	4,073
Prepayments and other current assets, net	28,364	29,929	4,215
Due from related parties, net (i)	762,835	894,583	125,999
<b>Total current assets</b>	<b>1,090,016</b>	<b>1,130,141</b>	<b>159,176</b>
Property and equipment, net	19,008	12,590	1,773
Operating lease right-of-use assets	2,837	2,164	305
Intangible assets, net	4,077	1,550	218
Long-term investments	288,826	207,614	29,242
Other non-current assets	43,836	44,723	6,299
Deferred tax assets	4,435	5,218	735
<b>Total non-current assets</b>	<b>363,019</b>	<b>273,859</b>	<b>38,572</b>
<b>Total assets</b>	<b>1,453,035</b>	<b>1,404,000</b>	<b>197,748</b>
Accounts payable	15,911	33,603	4,733
Accrued expenses and other current liabilities	195,917	205,266	28,911
Due to related parties (i)	1,157,428	1,155,052	162,686
Income tax payable	738	1,032	145
<b>Total current liabilities</b>	<b>1,369,994</b>	<b>1,394,953</b>	<b>196,475</b>
Other non-current liabilities	2,339	2,837	400
<b>Total non-current liabilities</b>	<b>2,339</b>	<b>2,837</b>	<b>400</b>
<b>Total liabilities</b>	<b>1,372,333</b>	<b>1,397,790</b>	<b>196,875</b>

- (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, 2022, and 2023, amounts due from subsidiaries of the Group were RMB737,129 and RMB888,050 (US\$125,079), respectively, while amounts due to subsidiaries of the Group were RMB1,143,148 and RMB1,147,218 (US\$161,582), 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.



**CHEETAH MOBILE INC.**

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**(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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Revenues	320,942	344,288	348,433	49,076
Cost of revenues	205,955	224,726	199,185	28,055
Net (loss) income	(8,489)	3,792	(64,999)	(9,155)
Net cash provided by (used in) operating activities	209,357	154,403	(31,775)	(4,475)
Net cash (used in) provided by investing activities	(255,027)	(98,598)	8,765	1,235
Net cash provided by (used in) financing activities	91,093	128,461	(22,223)	(3,130)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(35,987)	868	212	30

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, 2023, 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 other 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.

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(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)

#### *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 but not limited to 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 and intangible assets, impairment of investments and goodwill, net realizable value of inventories, valuation allowance for deferred tax assets, uncertain tax positions, share-based compensation, fair values of investments, purchase price allocation relating to business combination 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/(losses), net” in the consolidated statements of comprehensive loss.

#### *Convenience translation*

Amounts in US\$ are presented for the convenience of the reader and are translated at the noon buying rate of RMB7.0999 to US\$1.00 on December 29, 2023 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 loss.

In a business combination achieved in stages, the Group re-measures the previously held equity interest in the acquiree immediately before obtaining control at its acquisition date fair value and the re-measurement gain or loss, if any, is recognized in the consolidated income statements.

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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. When the noncontrolling interest is contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Group, the noncontrolling interest is classified as mezzanine equity. The Group accretes changes in the redemption value over the period from the date that it becomes probable that the mezzanine equity will become redeemable to the earliest redemption date using the effective interest method. Consolidated net income (loss) on the consolidated statements of comprehensive loss includes the net income (loss) attributable to noncontrolling interests and mezzanine equity holders (when applicable). The cumulative results of operations attributable to noncontrolling interests are recorded as noncontrolling interests and mezzanine equity holders (when applicable) in the Group’s consolidated balance sheets.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. Under this new standard, deferred revenue acquired in a business combination is measured pursuant to ASC 606, Revenue from Contracts with Customers, rather than its assumed acquisition date fair value under the current guidance. The Group adopted this guidance for the fiscal year beginning after December 15, 2022 and it did not have an impact on the Group’s financial position, results of operations and cash flows and was applied to our acquisition of Beijing OrionStar. Refer to Note 3-Business combinations.

#### *Cash and cash equivalents*

Cash and cash equivalents consists of cash on hand, current and time deposits placed with financial institutions, which have original stated maturity of three months or less and unrestricted as to withdrawal and use.

#### *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 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, primarily consisting of raw materials and products available for sale, are stated at the lower of cost or 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 and damaged inventories, 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 loss.

#### *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.

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#### *Long-term investments*

##### *Debt Investments*

The Group's debt investments include convertible bonds and preferred stock redeemable merely at the option of the Group as a holder. The Group accounts for such debt investments in accordance with ASC 320-10, *Investments-Debt Securities: Overall*. The Group classifies the debt investments 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 debt 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 investments 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 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 investments 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.

Certain debt investment is accounted under fair value option model, which permits the irrevocable election on an instrument-by-instrument basis at initial recognition or upon an event that gives rise to a new basis of accounting for that instrument. The investment accounted for under the fair value option model are carried at fair value with unrealized gains and losses recorded in the consolidated statements of comprehensive loss.

##### *Equity Method Investments*

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 loss.

##### *Equity Investments with Readily Determinable Fair Values*

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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.

#### *Equity Investments without Readily Determinable Fair Values*

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. 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 Group 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, 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, less accumulated depreciation and impairment loss, if any. Property and equipment are depreciated primarily using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are as follows:

	Estimated useful life
Electronic equipment	2-3 years
AI related equipment	3 years
Office equipment and fixtures	5 years
Motor vehicles	4-5 years
Leasehold improvements	Lesser of term of the lease or the estimated useful lives of the assets

Depreciation for mold and tooling is computed using the units-of-production method whereby capitalized costs are amortized over the total estimated productive units of the related 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 loss.

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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.

#### *Goodwill*

Goodwill represents the excess of the purchase price over the amounts assigned to the fair value of the identifiable assets acquired and the liabilities assumed of acquired businesses (Note 3). Goodwill is not amortized but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. In accordance with ASC 350, the Group may first assess qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. In the qualitative assessment, the Company considers factors such as macroeconomic conditions, industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations, business plans and strategies of the reporting unit. Based on the qualitative assessment, if it is more likely than not that the fair value of a reporting unit is less than the carrying amount, the quantitative impairment test is performed. The Group may also bypass the qualitative assessment and proceed directly to perform the quantitative impairment test.

When the Group performs the quantitative impairment test, the Group compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the amount by which the carrying amount exceeds the reporting unit's fair value is recognized as impairment. Application of a goodwill impairment test requires significant management judgment, including the identification of reporting units, allocation of assets, liabilities and goodwill to reporting units, and determination of the fair value of each reporting unit.

#### *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, 2022 and 2023, net carrying value of the Group's intangible assets with indefinite life is nil.

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***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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Revenues:				
Internet business				
Online advertising	354,604	355,289	109,339	15,400
Internet value-added services	299,155	342,098	340,795	48,000
AI and others				
Advertising agency services	61,588	83,111	89,275	12,574
Multi-cloud Management Services	41,443	77,956	87,747	12,359
Sale and rental of robots and other AI hardware products	10,590	5,289	22,034	3,103
Technical consulting service and others	17,236	20,323	20,313	2,862
<b>Total consolidated revenues</b>	<b>784,616</b>	<b>884,066</b>	<b>669,503</b>	<b>94,298</b>

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#### *(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 various online software as well as on-premise software such as anti-virus, security protection, immediate communication and others to individual and enterprise customers.

While providing online software services, the customers do not take possession of the software. 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. VIP membership services primarily include the right to get access to advertising-free and value-added services such as file and data recovery, malicious pop-up interception, PDF converting etc. VIP membership service and hosted software subscription service fees are paid for a specific contracted service period, which is normally 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.

While providing on-premise software, the license provides the customer with a right to use the software as it exists when made available to the customer. The Group sells specific version of the software to the customer, and provides post-contract services such as post-delivery telephone support and post-contract customer support for the customer. The on-premise software licence and the post-contract services are accounted for a single performance obligation as post-contract services are mainly provided to answer questions about the use and the installation of the software which would not constitute a promise to a customer. Revenue is recognized upfront at the point in time when the software is made available to the customer. Software upgrades, such as version iteration, are additionally charged.

##### *Game-related services.*



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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 and rental of robot and other AI hardware products*

The Group generates revenue from sales and rental of robots and sale of other AI hardware products. The Group recognizes revenue generally at a point in time when the robots and other AI hardware products are delivered to customers. The Group provides standard warranty on all robots sold, which is not a separate performance obligation as it is intended to provide greater quality assurance to customers. Accordingly, standard warranty is accounted for in accordance with ASC 460, Guarantees, and the estimated costs are recorded as a liability when the Group transfers the control of robots to a customer. The consideration for sale of robots are normally paid in advance, which means the payments received are prior to the transfer of goods or services by the Group, the Group records a contract liability (deferred revenue) for the amount relating to those unperformed obligations. As set out in Note 2 “Lease, as of a Lessor”, robot rental revenue is recognized under ASC 842.

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#### *Technical consulting services and others*

The group provides other services including technical consulting, technical support, extended time warranty, maintenance service etc to customers. Such revenue are recognized ratably over the term of the arrangement. 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 contract liabilities consist of deferred revenue, which represent the cash received for services in advance of revenue recognition and is recognized as revenue when all of the Group’s revenue recognition criteria are met. Balances of deferred revenue, which included in “Accrued expenses and other liabilities”, were RMB205,320 and RMB247,855 (US\$34,910) as of December 31, 2022 and December 31, 2023, respectively. The increase in deferred revenue as compared to the year ended December 31, 2023 is a result of the increase in fees received from membership services, as well as the deferred revenue assumed from the acquisition of Beijing OrionStar. Revenue recognized that was included in deferred revenue balance at the beginning of year were RMB74,996, RMB123,809 and RMB106,333 (US\$14,977) for the years ended December 31, 2021, 2022 and 2023, 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 robots and other products sold, including direct materials, external processing fee, depreciation and amortization of assets associated with the production and reserves for estimated warranty expenses.

#### *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, 2021, 2022 and 2023, advertising and promotional expenses were RMB242,354, RMB361,363 and RMB127,790 (US\$17,999), respectively.

#### *Research and development expenses*

Research and development (“R&D”) consist primarily of employee costs and rental expenses related to personnel engaged in R&D activities, design and development expenses with new technology, materials and supplies and other R&D related expenses. 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.

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***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.

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#### *Leases*

##### *As a lessee*

The Group recognizes in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, the Group elected the practical expedient not to separate lease and non-lease components for certain classes of underlying assets and the short-term lease exemption, lease expenses for such lease is recorded on a straight-line basis over the lease term. 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.

##### *As a lessor*

The Group provides robot leasing services to customers under operating lease. The Group recognizes the lease payments as robot leasing income in profit or loss over the lease term on a straight-line basis.

The robot leasing income was immaterial for the years ended December 31, 2021, 2022 and 2023, respectively.

#### *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 netted off by deferred 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.

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 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.

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#### *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 (loss) 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. The Group consolidated Beijing OrionStar since November 30, 2023 and reported the results of Beijing OrionStar in the AI and others segment based on the information reviewed by CODM.

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#### *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, 2023, the Group has RMB2,021,214 (US\$284,682) in cash and cash equivalents, restricted cash and short-term investments, and 22.2% and 77.8% 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 due from advertisers. 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, 2021, no individual customer accounted for over 10% of the Group’s total revenue. For the year ended December 31, 2022 and 2023, approximately 24% and 13% of the Group’s total revenue was derived from a third-party advertising agent and a third-party advertising platform, respectively.

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.

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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 2.34% for the year ended December 31, 2021, the depreciation of the RMB against US\$ was approximately 8.23% and 2.94% for the years ended December 31, 2022 and 2023. 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.

#### *Recently issued accounting pronouncements*

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 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 November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280)- Improvements to Reportable Segment Disclosures. ASU No. 2023-07 requires an enhanced disclosure of significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss, on an annual and interim basis. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Adoption of this guidance should be applied retrospectively to all prior periods presented. Early adoption is permitted. The Group does not expect to adopt ASU No. 2023-07 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740)- Improvements to Income Tax Disclosures. ASU No. 2023-09 requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as additional information on income taxes paid. The guidance is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Group does not expect to adopt ASU No. 2023-09 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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 Group 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. BUSINESS COMBINATIONS**

#### *Business combination in 2023*

##### *Acquisition of Beijing OrionStar*

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On November 30, 2023, as part of the Group's efforts to venture into AI-powered business chain and facilitate its transition from the mobile era to artificial general intelligence ("AGI") era, the Group acquired an additional 35.17% equity interest of Beijing OrionStar, an AI solution and service robot provider headquartered in Beijing focusing on the research and development of AI, for a total cash consideration of RMB268,724 (US\$37,849). Taking into account its existing shareholding of 37.74%, the Group held a total of 72.91% of Beijing OrionStar's equity interest and consolidated the financial results of Beijing OrionStar since November 30, 2023.

The Group recognized a remeasurement gain of RMB6,036 (US\$850) associated with the previously held equity interests of Beijing OrionStar in “other income”. Further, the acquisition effectively settled preexisting receivables and payables between the Group and the acquired entities. The following is a reconciliation of purchase price consideration for the acquirers:

	Amount	
	RMB	US\$
Cash consideration	268,724	37,849
Fair value of previously held equity interests	316,672	44,602
Settlement of convertible loan provided to Beijing Orionstar	118,091	16,633
Settlement of amounts due from Beijing Orionstar Group	69,648	9,810
<b>Total</b>	<b><u>773,135</u></b>	<b><u>108,894</u></b>

The Group, with the assistance of an independent third-party valuation firm, measure the fair value of the acquired identifiable assets and liabilities assumed. The following table summarizes the fair values of the assets acquired and liabilities assumed from Beijing OrionStar as of the acquisition date:

	Amount	
	RMB	US\$
Net assets acquired (i)	136,534	19,230
Amortizable intangible assets (ii)		
Robot technology	140,000	19,719
Large language model (LLM) technology	57,000	8,028
Trademark	15,000	2,113
Goodwill (iii)	576,989	81,267
Deferred tax liabilities	(31,800)	(4,479)
Non-controlling interests and mezzanine equity(iv)	(120,588)	(16,984)
<b>Total</b>	<b><u>773,135</u></b>	<b><u>108,894</u></b>

(i) Net assets acquired primarily consists of cash and cash equivalent, inventories, equity method investment and deferred tax assets of RMB221,898 (US\$31,254) and accounts payable, deferred revenue, due to related parties of RMB121,366(US\$17,094) as of the date of acquisition.

(ii) Acquired amortizable intangible assets had an amortization period of 8.0 years. The fair value estimate of technology was estimated using the multi-period excess earnings method. Key assumptions and estimates used in deriving the projected cash flows are forecasted revenue, EBIT margin, and discount rate. The fair value estimate of trademark was estimated using the relief-from-royalty method. Key assumptions and estimates used are forecasted revenue and discount rate.

(iii) Goodwill arising from the acquisition of Beijing OrionStar was attributable to the benefit of expected synergies, the assembled workforce, revenue growth and future market development as of the date of acquisition and assigned to AI and others segment. Goodwill arising from the acquisition is not expected to be deductible for tax purposes.

(iv) According to the articles of association of Beijing OrionStar, equity interests held by two shareholders are preferred shares and was contingently redeemable upon the occurrence of a conditional event, which is not solely within the control of the Group and was classified as mezzanine equity. Detailed description of mezzanine equity is disclosed in Note 19. Fair value of the non-controlling interests and mezzanine equity, as well as the previous held equity interests mentioned above was determined with the



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assistance of an independent valuation firm using discount cash flow method. Key assumptions and estimates used are forecasted revenue, EBIT margin, discount rate and volatility.

Since the acquisition, Beijing OrionStar contributed RMB14,810 (US\$2,086) revenues and RMB4,738 (US\$667) losses to the Group for the year ended 2023. Had the acquisition date of Beijing OrionStar been January 1, 2022, the revenue and net loss of the Group would have been RMB1,063,970 and RMB652,497 in 2022, respectively, and the revenue and net loss of the Group would have been RMB768,152 (US\$108,192) and RMB728,995 (US\$102,677) in 2023, respectively. The pro-forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred as of January 1, 2022, nor is it indicative of future operating results. The pro-forma amounts have been calculated after adjusting the results of Beijing OrionStar to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied from January 1, 2022.

#### 4. INVESTMENTS

##### *(a) Short-term investments*

As of December 31, 2022, and 2023, short-term investments included time deposits, and wealth management products in commercial banks of RMB156,182 and RMB1,023 (US\$144), respectively.

For the years ended December 31, 2021, 2022 and 2023, the Group recognized interest income from its short-term investments of RMB12,687, RMB23,088 and RMB6,668 (US\$939), respectively.

For the years ended December 31, 2021, 2022 and 2023 the Group recognized a credit loss on short-term investments of RMB715, reversed RMB714 and RMB548 (US\$77) in “other expense” in the consolidated comprehensive 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 investment accounted for using fair value option and available-for-sale debt securities.

##### *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, 2022 and 2023, the carrying amount of the Group’s equity investments accounted for using the alternative measurement was RMB1,141,207 and RMB539,433 (US\$75,978), including RMB1,257,876 and RMB697,633 (US\$98,260) accumulated impairment, and RMB331,566 and RMB193,668 (US\$27,278) accumulated upward adjustment, respectively. During the years ended December 31, 2022 and 2023, 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 RMB106,662 and RMB16,090 (US\$2,266) as of December 31, 2022 and 2023, respectively.

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Total unrealized and realized gains and losses of equity securities without readily determinable fair values for the years ended December 31, 2021, 2022 and 2023 were as follows:

	For the year ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	2023 US\$
Gross unrealized gains (upward adjustments)	82,504	33,346	501	71
Gross unrealized losses (impairment)	(351,380)	(287,005)	(168,759)	(23,769)
<b>Net unrealized losses on equity securities held</b>	<b>(268,876)</b>	<b>(253,659)</b>	<b>(168,258)</b>	<b>(23,698)</b>
Net realized gains on equity securities sold	67,105	32,536	6,117	862
<b>Total net losses recognized in other income, net</b>	<b>(201,771)</b>	<b>(221,123)</b>	<b>(162,141)</b>	<b>(22,836)</b>

In 2023, the Group: i) acquired equity interests in one equity investee for a total consideration of RMB6,000 (US\$845). ii) acquired control stake of Beijing OrionStar and derecognized the previous held equity interest in Beijing OrionStar as disclosed in Note 3.

In 2022, the Group: i) acquired equity interests in three equity investees for a total consideration of RMB59,581. ii) disposed certain equity interest in equity investees and recognized a disposal gain of RMB32,536 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”.

The Group received dividends from investees of RMB2,558, nil and RMB5,598 (US\$788) which were recorded in “Other income” in the consolidated comprehensive loss for the years ended December 31, 2021, 2022 and 2023, 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. Realized gains were RMB767 and nil and nil, which were recorded in “Other income” in the consolidated comprehensive loss for years ended December 31, 2021, 2022 and 2023, respectively.

*Investment accounted for using fair value option*

The Group owned 49.6% equity interest of Live.me on a fully dilutive basis and the Group elected to account the equity investment in Live.me under the fair value option model. In January 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, The Group’s voting rights of Live.me thus were diluted to be 17.25% and the Group lost significant influence in Live.Me. In December 2023, the preferred shares held by the Group was reclassified and accounted for as available-for-sale debt securities since the Group has a put option to request Live.me to redeem the Group’s related equity interests at the Group’s option. The Group continues to measure Live.me’s equity interest under fair value option model. The fair value of the equity interest held by the Group was RMB370,162 and RMB43,333 (USD\$6,103) as of December 31, 2022 and 2023, respectively. For the years ended December 2021, 2022 and 2023, the Group recorded unrealized gain of RMB6,537, unrealized losses of RMB25,601 and RMB334,921 (USD\$47,173) for equity investment accounted for using fair value option in “Other income” and “Other expense” in the consolidated comprehensive loss, respectively.

*Equity investments accounted for using equity method*

The carrying amount of the Company’s equity method investments were RMB238,591 and RMB242,997 (US\$34,225) as of December 31, 2022 and 2023, respectively.

In 2023, the Group acquired certain equity method investments with total costs of RMB23,454 (US\$3,303), and during which RMB17,707 (US\$2,494) was in cash consideration and another was acquired through business combination as set out in Note 3.

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In 2022, the Group acquired an equity method investment with total consideration of RMB10,000.

In 2021, the Group acquired an equity method investment with total consideration of RMB2,500.

The Group recorded its share of income of RMB60,992, share of loss of RMB12,143 and RMB 2,564 (US\$361) from equity investments accounted for using equity method for the years ended December 31, 2021, 2022 and 2023, respectively. For the years ended December 31, 2021, 2022 and 2023, nil and nil and RMB5,339 (US\$752) impairment losses were recorded for the equity investments accounted for using equity method.

None of equity method investments, including the equity method investment that the Group elects to account for using the fair value option, was considered individually material for the years ended December 31, 2021, 2022 and 2023. 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,			
	2022	2023		
	RMB	RMB	RMB	US\$
<b>Balance sheet data:</b>				
Current assets	463,921	514,186		72,422
Non-current assets	1,404,594	1,298,749		182,925
Current liabilities	173,776	89,210		12,565
Non-current liabilities	13,249	5,843		823
Redeemable preferred shares	1,059,852	—		—

  

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
<b>Operating data:</b>				
Revenues	925,020	755,532	156,948	22,106
Gross profit	407,487	285,140	19,206	2,705
Operating income (loss)	459,079	(10,022)	(64,535)	(9,090)
Net income (loss)	464,352	(8,133)	(60,929)	(8,582)

*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 of the investment upon the reclassification with a remeasurement loss of RMB42,883 recorded in “Other expense” in the consolidated comprehensive loss. In 2023, preferred shares held by the Group of an investment previously accounted for using the measurement alternative was reclassified and accounted for as available-for-sale debt securities since the preferred shares are redeemable at the Group’s option. The Group remeasured the fair value of the investment upon the reclassification with a remeasurement loss of RMB25,808 (US\$3,635) recorded in “Other expense” in the consolidated comprehensive loss.

As of December 31, 2022, and 2023, long-term available-for-sale debt securities other than the investment in preferred shares of Live.me that classified as available-for-sale debt securities accounted for under fair value option model were RMB42,371 and RMB111,697 (US\$15,732), respectively.

For the years ended December 31, 2021, 2022 and 2023, the Group recognized fair value loss on long-term available-for-sale debt securities of nil, RMB8,270 and RMB43,494 (US\$6,126) respectively in other comprehensive loss.

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**5. ACCOUNTS RECEIVABLE, NET**

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Accounts receivable	385,935	533,945	75,205
Allowance for credit losses	(102,161)	(132,881)	(18,716)
<b>Accounts receivable, net</b>	<b>283,774</b>	<b>401,064</b>	<b>56,489</b>

The movements in the allowance for credit losses were as follows:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	USD
Balance as of January 1	92,695	102,161	14,389
Addition	3,156	29,401	4,141
Amounts written off	—	—	—
Foreign Exchange effect	6,310	1,319	186
<b>Balance as of December 31</b>	<b>102,161</b>	<b>132,881</b>	<b>18,716</b>

**6. PREPAYMENTS AND OTHER CURRENT ASSETS, NET**

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Other receivables from advertisers	857,135	878,754	123,770
Advances to suppliers	137,419	139,772	19,686
Prepaid expenses	25,506	26,144	3,682
Inventories (i)	16,695	40,573	5,715
Receivable from third-party payment platform	51,014	29,573	4,165
Convertible loans	10,093	10,465	1,474
Others	72,371	68,975	9,715
Impairment of prepayments and inventory	(102,145)	(108,003)	(15,212)
Allowance for credit losses	(99,943)	(113,126)	(15,933)
<b>Total</b>	<b>968,145</b>	<b>973,127</b>	<b>137,062</b>

- (i) Inventories consist of materials and finished goods, as of December 31, 2022 and 2023, inventories net of impairment reserve were RMB4,283 and RMB28,042(US\$3,950). For the years ended December 31, 2021, 2022 and 2023, the group recorded impairment reserve of RMB7,618, nil and RMB2,627(US\$370), respectively.

The movements in the allowance for credit losses were as follows:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	USD
Balance as of January 1	102,985	99,943	14,077
Addition	19,266	12,243	1,724
Amounts written off	(27,623)	—	—
Foreign Exchange effect	5,315	940	132
<b>Balance as of December 31</b>	<b>99,943</b>	<b>113,126</b>	<b>15,933</b>

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Provision for credit losses and impairment of assets for the years ended December 31, 2021, 2022 and 2023 were RMB493, RMB19,266 and RMB12,243 (US\$1,724), respectively.

**7. PROPERTY AND EQUIPMENT, NET**

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Electronic equipment	61,894	64,254	9,050
AI related equipment	153,580	159,898	22,521
Leasehold improvements	14,544	19,186	2,702
Office equipment and fixtures	19,532	20,881	2,941
Mold and tooling	—	5,516	777
Motor vehicles	2,922	2,690	379
Construction in progress	48	119	16
Less: Accumulated depreciation	(185,105)	(211,437)	(29,780)
Less: Accumulated impairment	(8,688)	(7,223)	(1,017)
<b>Property and equipment, net</b>	<b>58,727</b>	<b>53,884</b>	<b>7,589</b>

Depreciation expense of property and equipment for the years ended December 31, 2021, 2022 and 2023 were RMB45,751, RMB49,208 and RMB27,842 (US\$3,921), respectively. The impairment recognized on property and equipment were nil for the years ended December 31, 2021, 2022 and 2023, 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, 2023				
	Gross Carrying value	Accumulated amortization	Accumulated impairment	Net carrying value	
	RMB	RMB	RMB	RMB	US\$
Online game licenses	144,751	(95,886)	(48,839)	26	4
Technology	363,466	(142,720)	(18,367)	202,379	28,504
Platform	77,919	(42,860)	(35,059)	—	—
Customer relationship	49,954	(47,077)	(2,877)	—	—
User base	48,788	(48,788)	—	—	—
Trademarks	33,546	(15,499)	(2,244)	15,803	2,226
Domain names	5,224	(4,873)	—	351	49
Non-compete agreements	1,610	(1,610)	—	—	—
<b>Total</b>	<b>725,258</b>	<b>(399,313)</b>	<b>(107,386)</b>	<b>218,559</b>	<b>30,783</b>

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	As of December 31, 2022			
	Gross Carrying value	Accumulated amortization	Accumulated impairment	Net carrying value
	RMB	RMB	RMB	RMB
Online game licenses	188,174	(139,536)	(47,910)	728
Technology	155,056	(130,822)	(18,244)	5,990
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
Domain names	4,965	(4,526)	—	439
Non-compete agreements	1,610	(1,610)	—	—
<b>Total</b>	<b>541,926</b>	<b>(427,816)</b>	<b>(105,680)</b>	<b>8,430</b>

The Group recorded impairment loss in “Other operating income (expense), net”. The impairment recognized on intangible assets were nil, nil and RMB 412 (US\$58) for the years ended December 31, 2021, 2022 and 2023, respectively.

Amortization expense of intangible assets for the years ended December 31, 2021, 2022 and 2023 were RMB5,071, RMB3,817 and RMB 7,420 (US\$1,045), 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\$
2024	28,968	4,080
2025	28,674	4,039
2026	28,220	3,975
2027	28,017	3,946
2028	27,881	3,927
Thereafter	76,799	10,816
<b>Total</b>	<b>218,559</b>	<b>30,783</b>

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**9. GOODWILL**

The changes in the carrying amount of goodwill were as follows:

	For the year ending December 31,
Balance as of January 1, 2023	—
Goodwill acquired in business combinations (Note 3)	576,989
Balance as of December 31, 2023, in RMB	576,989
Balance as of December 31, 2023, in US\$	81,267

**10. 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, 2022 and 2023, the Group had no finance leases.

As of December 31, 2022 and 2023, the weighted average remaining lease term was 3.4 years and 2.5 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, 2021, 2022 and 2023, was RMB20,613, RMB16,777 and RMB15,244 (US\$2,147) respectively, which excluded cost of short-term contracts. Short-term lease cost for the year ended December 31, 2021, 2022 and 2023 was RMB28,488, RMB5,062 and RMB5,379 (US\$758), respectively. For the years ended December 31, 2021, 2022 and 2023, no lease cost was capitalized.

Future lease payments under operating leases as of December 31, 2023 were as follows:

	For the year ended December 31,	
	RMB	US\$
2024	14,426	2,032
2025	12,103	1,705
2026	5,969	841
2027	—	—
2028	—	—
<b>Total future lease payments</b>	<b>32,498</b>	<b>4,577</b>
Less: imputed interest	1,504	212
<b>Total lease liability balance</b>	<b>30,994</b>	<b>4,365</b>

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**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

*Accrued expenses and other current liabilities*

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Payable to online advertising platforms as agency	827,015	1,452,286	204,550
Accrued operating expenses	224,902	391,338	55,119
Salary and welfare payable	54,314	51,465	7,249
Advance received in advertising agency services	136,098	136,684	19,252
Accrued advertising, marketing and promotional expenses	48,389	50,082	7,054
Deferred revenue	194,542	235,520	33,172
Operating lease liabilities current portion	14,384	13,295	1,873
Other taxes payable	21,670	35,380	4,983
Accrued bandwidth and cloud service costs	1,062	2,078	293
Others	64,393	69,082	9,728
<b>Total</b>	<b>1,586,769</b>	<b>2,437,210</b>	<b>343,273</b>

*Other non-current liabilities*

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Uncertain tax position	161,668	159,908	22,523
Operating lease liabilities non-current portion	27,090	17,699	2,493
Others	11,578	12,336	1,737
<b>Total</b>	<b>200,336</b>	<b>189,943</b>	<b>26,753</b>

**12. 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.

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, 2021, 2022 and 2023:



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	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
<b>Revenues:</b>				
Internet business	653,759	697,387	450,134	63,400
AI and others	130,857	186,679	219,369	30,898
<b>Total revenues</b>	<b>784,616</b>	<b>884,066</b>	<b>669,503</b>	<b>94,298</b>
<b>Operating income (loss):</b>				
Internet business	(14,178)	(369)	26,259	3,699
AI and others	(208,243)	(217,359)	(202,542)	(28,527)
Unallocated expenses(i)	(7,150)	(7,863)	(33,554)	(4,726)
<b>Total operating loss</b>	<b>(229,571)</b>	<b>(225,591)</b>	<b>(209,837)</b>	<b>(29,554)</b>

- (i) Share-based compensations were not allocated to segments.

**13. GEOGRAPHICAL INFORMATION**

The following tables set forth revenues and property and equipment, net by geographic area:

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
<b>Revenues:</b>				
PRC	562,464	391,652	343,119	48,327
Overseas (i)	222,152	492,414	326,384	45,971
HongKong	18,727	262,095	52,272	7,362
Japan	111,481	96,413	113,143	15,936
Rest of the world (ii)	91,944	133,906	160,969	22,673
	As of December 31,			
	2022	2023		
	RMB	RMB	US\$	
<b>Property and equipment, net:</b>				
PRC	55,629	44,676	6,292	
Non-PRC	3,098	9,208	1,297	

- (i) Overseas revenue refers to revenues generated by the Group’s operating legal entities incorporated outside mainland China or generated by our operating legal entities incorporated in mainland China but are attributable to customers located outside mainland 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, 2021, 2022 and 2023, respectively.

**14. 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.

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#### *Hong Kong*

The Company’s subsidiaries in Hong Kong are subject to Hong Kong Profits Tax rate at 16.5% on the estimated assessable profit. For the year ended December 31, 2021, 2022 and 2023, 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. 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 was subject to a national corporate income tax rate of 23.2% as of the years ended 31, 2021 and 2022. In 2023, Kingsoft Japan reduced its paid-in capital to 90 million Japanese Yen, and is taxed at a tax rate of 15% on first JPY8 million and at 23.2% on the portion over JPY8 million as of the year ended 31, 2023. 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. Beijing OrionStar Technology Co., Ltd. is entitled to the preferential income tax rate of 15% from 2021 to 2023. Zhuhai Baoqu Technology Co., Ltd. are entitled to the preferential income tax rate of 15% from 2023 to 2025.

In accordance with the requirements of Cai Shui [2022] No. 19 and State Administration of Taxation Hengqin-Guangdong-Macao In-Depth Cooperation Zone Taxation Bureau Announcement [2023] No. 1, enterprises of qualified industries that met the operational substantive requirements located in Hengqin-Guangdong-Macao In-Depth Cooperation Zone, are subject to a tax rate of 15%. Zhuhai Baohaowan Technology Co., Ltd. is entitled to the preferential income tax rate of 15% as it is qualified with the mentioned requirements.

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 is entitled to a tax holiday of 50% EIT exemption in 2021 and 2022.

Without the tax holidays and preferential tax, the Group’s income tax expenses would have decreased by RMB44,909, RMB2,232 and RMB3,457 (US\$487) for the years ended December 31, 2021, 2022 and 2023, respectively. The impacts of the tax holidays and preferential tax rates were a decrease in the loss per share of RMB0.0314, RMB0.0015 and RMB0.0023 (US\$0.0003), for the year ended December 31, 2021, 2022 and 2023, 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.

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Loss before income taxes consists of:

	Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
PRC	(490,025)	(261,306)	(251,578)	(35,434)
Non-PRC	150,454	(284,474)	(386,072)	(54,376)
<b>Total</b>	<b>(339,571)</b>	<b>(545,780)</b>	<b>(637,650)</b>	<b>(89,810)</b>

The current and deferred portions of income tax expenses included in the consolidated statements of comprehensive loss are as follows:

	Year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Current income tax expenses (benefits)	12,713	(12,208)	850	120
Deferred income tax (benefits) expenses	920	(12,881)	(44,631)	(6,286)
<b>Income tax expenses (benefits)</b>	<b>13,633</b>	<b>(25,089)</b>	<b>(43,781)</b>	<b>(6,166)</b>

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,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Loss before income tax	(339,571)	(545,780)	(637,650)	(89,810)
Income tax benefits computed at the PRC statutory tax rate of 25%	(84,894)	(136,445)	(159,413)	(22,453)
Effect of different tax rates in different jurisdictions	(16,764)	49,280	84,086	11,843
Effect of tax holiday and preferential tax rates	44,909	4,908	2,981	420
Research and development super-deduction	(12,660)	(9,361)	(8,749)	(1,232)
Non-taxable income(i)	(25,713)	(2,809)	(5,488)	(773)
Non-deductible expenses(ii)	8,614	1,783	21,538	3,034
Effect of change in tax rate	(12,327)	(106,824)	3,080	434
Outside basis difference on investment	63	(3,800)	(33,413)	(4,706)
Changes in uncertain tax position	(9,453)	(11,903)	(4,183)	(589)
Withholding tax and others	27,977	(4,345)	22,683	3,194
Changes in valuation allowance	93,881	194,427	33,097	4,662
<b>Income tax expenses (benefits)</b>	<b>13,633</b>	<b>(25,089)</b>	<b>(43,781)</b>	<b>(6,166)</b>

- (i) Non-taxable income mainly consists of gains on disposal of subsidiaries and long-term investments or upward fair value adjustment of 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, disposal losses or impairment of long-term investments and other expenses that are not allowed to be deducted under the tax laws of different jurisdictions.

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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, 2022 and 2023 are as follows:

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
<b>Deferred tax assets:</b>			
Tax losses carry forward	411,544	708,815	99,835
Equity investment loss	157,319	185,553	26,135
Allowance for credit losses	36,089	35,983	5,068
Intangible assets and accrued expenses	8,687	7,906	1,114
Share-based compensation	263	235	33
Others	33,129	42,474	5,981
Valuation allowance	(617,264)	(786,853)	(110,826)
<b>Deferred tax assets</b>	<b>29,767</b>	<b>194,113</b>	<b>27,340</b>
<b>Deferred tax liabilities:</b>			
Outside basis difference on investment	55,770	23,403	3,296
Equity method investment and unrealized gains	1,813	1,112	157
Right-of-use asset and others	8,617	4,498	633
Intangible assets acquired from business acquisition	-	31,137	4,386
<b>Deferred tax liabilities</b>	<b>66,200</b>	<b>60,150</b>	<b>8,472</b>

	As of December 31,	
	2023	
	RMB	US\$
<b>Classification in the consolidated balance sheets:</b>		
Deferred tax assets	188,503	26,550
Deferred tax liabilities	54,540	7,682

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, 2022, and 2023, the Group’s total deferred tax assets before valuation allowances were RMB647,031 and RMB980,966 (US\$138,166), respectively. As of December 31, 2022 and 2023, the Group recorded valuation allowances of RMB617,264 and RMB786,853 (US\$110,826), 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.

The following table sets forth the movement of the valuation allowances for deferred tax assets for the years presented:

	2022	2023	
	RMB	RMB	US\$
Balance at January 1	(422,837)	(617,264)	(86,940)
Additions <sup>(1)</sup>	(205,800)	(215,340)	(30,330)
Decreases	11,373	45,751	6,444
Balance at December 31	<b>(617,264)</b>	<b>(786,853)</b>	<b>(110,826)</b>

(1) RMB 136,492 (US\$19,224) of which was from the business combination as set out in Note3.

Undistributed earnings of certain of the Company’s PRC subsidiaries amounted to approximately RMB795,098 and RMB 821,259 (US\$115,672) on December 31, 2022 and 2023, 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 RMB39,755 to RMB79,510 and RMB41,063 (US\$5,784) to RMB82,126 (US\$11,567) as of December 31, 2022 and 2023, respectively.

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As of December 31, 2023, the Group had taxable losses of approximately RMB4,016,753 (US\$565,748) 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 RMB3,686,876 (US\$519,286) will expire from 2024 to 2033 and Hong Kong, Singapore and others taxable loss RMB329,877 (US\$46,463) can be carried forward without an expiration date.

***Unrecognized tax benefits***

As of December 31, 2022 and 2023, the Group had unrecognized tax benefits of RMB172,557 and RMB168,416 (US\$23,721), of which RMB17,745 and RMB14,516 (US\$2,045), respectively, were deducted against the deferred tax assets on tax losses carry forward, and the remaining amounts of RMB154,812 and RMB153,900 (US\$21,676), 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, 2022 and 2023 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, 2022, and 2023, there were RMB154,812 and RMB153,900 (US\$21,676) 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:

	<u>2022</u>	<u>2023</u>	
	RMB	RMB	US\$
Balance at January 1	177,526	172,557	24,304
Additions based on tax positions related to current year	588	3,086	435
Reversal based on tax positions related to prior years	(17,643)	(9,651)	(1,359)
Foreign exchange translation adjustments	12,086	2,424	341
Balance at December 31	<u>172,557</u>	<u>168,416</u>	<u>23,721</u>

The Group recognizes accrued interest related to unrecognized tax benefits in income tax expenses. As of December 31, 2022 and 2023, the Group had accrued interest of RMB6,856 and RMB6,009 (US\$846) respectively. For the year ended December 31, 2021, 2022 and 2023, the Group reversed RMB1,449, RMB3,760, and RMB847 (US\$119) in interest, respectively. The Group did not record any penalties related to unrecognized tax benefits.

As of December 31, 2023, the tax years ended December 31, 2018 through 2023 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, 2019 through 2023 for the Group’s subsidiary in the Singapore is generally subject to examination by the Singapore tax authorities. The tax years ended December 31, 2017 through 2023 for the Group’s subsidiaries in Hong Kong are generally subject to examination by the Hong Kong tax authorities.

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**15. 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”) <sup>(1)</sup>	Entities controlled by a director of the Group
Pixiu Inc. and its subsidiaries (“Pixiu Group”)	Entities influenced materially by the Group
Live.me and its subsidiaries (“Live.me Group”)	Entities that Group owns 49.6% shares of ownership

(1) OrionStar Group became the subsidiary of the Company since November 30, 2023 as disclosed in Note 3. As a result, OrionStar Group was not considered as the Group’s related party since then.

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, 2021, 2022 and 2023:

		For the year ended December 31,			
		2021	2022	2023	
		RMB	RMB	RMB	US\$
<b>Services received from:</b>	<b>(i)</b>				
Kingsoft Group		19,139	15,236	14,248	2,007
Tencent Group		32,594	20,534	13,293	1,872
OrionStar Group		3,756	347	2,324	327
<b>Services provided to:</b>	<b>(ii)</b>				
Tencent Group		40,333	12,479	9,565	1,347
OrionStar Group		3,862	2,610	2,402	338
Pixiu Group		9,614	433	972	137
Live.me Group		11,718	33,305	35,006	4,930
<b>Purchase of products and equipment:</b>					
OrionStar Group	(iii)	40,290	1,130	991	140
<b>Loans and investments provided to:</b>					
OrionStar Group	(iv)	100,000	—	—	—
Pixiu Group	(v)	—	14,181	—	—

- (i) The Group entered into agreements with Kingsoft Group pursuant to which Kingsoft Group provided services including cloud services, leasing, license and other miscellaneous 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. In October 2023, the group agreed to extend the maturity date by one year and it was deemed to be settled upon the completion of acquisition of Beijing OrionStar on November 30, 2023.
- (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. In 2021, the remaining principal balance was revolved to January 2024. In 2023, the Group agreed to further extend the expiration date for the outstanding principal balance to December 2024.

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c. The balances between the Group and its related parties as of December 31, 2022 and 2023 are listed below:

(1) Amount due from related parties, net

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
Live.me Group	13,129	20,654	2,909
Tencent Group	4,529	5,476	771
Pixiu Group	25,104	21,097	2,971
OrionStar Group(i)	134,548	—	—
Kingsoft Group	5,019	4,188	590
Other related parties (ii)	20,610	20,090	2,830
<b>Total</b>	<b>202,939</b>	<b>71,505</b>	<b>10,071</b>

- (i) As of December 31, 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, 2022 and 2023, 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, 2022 and 2023.

Non-trading indebtedness balances with related parties included convertible and other loans of RMB113,012 and RMB18,981 (US\$2,673) as of December 31, 2022 and 2023, respectively. The balance of RMB3,840 and nil were long-term nature as of December 31, 2022 and 2023, respectively.

The movements in the allowance for credit losses were as follows:

	Year ended December 31,		
	2022	2023	
	RMB	RMB	US\$
Balance as of January 1	58,786	67,089	9,449
Addition/(reverse)	7,846	(30,534)	(4,301)
Amounts written off	—	(1,026)	(145)
Foreign Exchange effect	457	53	7
<b>Total</b>	<b>67,089</b>	<b>35,582</b>	<b>5,010</b>

(2) Amount due to related parties

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
OrionStar Group	799	—	—
Tencent Group	15,132	9,776	1,377
Live.me Group	10	—	—
Kingsoft Group	3,969	3,597	507
Other related parties(i)	3,719	70,774	9,968
<b>Total</b>	<b>23,629</b>	<b>84,147</b>	<b>11,852</b>

- (i) As of December 31, 2023, the amount of due to other related parties primarily included a one year convertible loan with principal amount of RMB40,265(US\$5,671) due by Beijing OrionStar to Mr. Sheng Fu, chief executive officer and director of the Group.

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**16. SHARE-BASED COMPENSATION**

*2023 Share Incentive Plan*

On April 11, 2023, the board of directors of the Company approved to adopt a share incentive plan (the “2023 Incentive Plan”). The 2023 Incentive plan provides for the grant of restricted shares and share options to members of the Board, employees or consultants of the Group. The maximum aggregate number of Shares which may be issued or transferred under the 2023 incentive Plan shall be equal to 145,000,000 Shares. Unless terminated earlier, the 2023 incentive Plan will expire on the tenth anniversary of the Effective Date. Vesting conditions will be specified under each award agreement. Except for service conditions, there were no other vesting conditions for all the awards under 2023 Incentive Scheme.

The following table summarizes the restricted shares activity pursuant to the 2023 Incentive Plan for the years ended December 31, 2023:

	Number of Shares	Weighted average grant date fair value (US\$)
Outstanding at January 1, 2023	—	—
Granted	103,270,550	0.05
Vested	(36,941,200)	0.05
Forfeited	—	—
Unvested at December 31, 2023	66,329,350	0.04

The fair value of the restricted shares was determined based on the price of the Company’s publicly traded ADSs.

As of December 31, 2023, the total estimated unrecognized share-based compensation expenses related to restricted shares awarded amounted to RMB14,137 (US\$1,991), 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, 2023 was RMB13,587(US\$1,914).



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***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 has a validity term of 10 years and was due to terminate in 2024. Upon approval of our board of directors, the validity term has been extended to April, 2029. 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 restricted shares activity pursuant to the 2014 Restricted Shares Plan for the years ended December 31, 2021, 2022 and 2023, respectively:

	Number of shares	Weighted average grant date fair value (US\$) after modification
Unvested at January 1, 2021	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
Granted	31,580,058	0.04
Vested	(6,629,200)	0.06
Forfeited	(2,993,700)	0.05
Unvested at December 31, 2023	25,985,708	0.05

The fair value of the restricted shares was determined based on the price of the Company’s publicly traded ADSs.

As of December 31, 2023, the total estimated unrecognized share-based compensation expense related to restricted shares awarded amounted to RMB6,229 (US\$877), and is expected to be recognized over a weighted-average period of 1.8 years.

The total fair value of vested restricted shares on their respective vesting dates during the years ended December 31, 2021, 2022 and 2023 were RMB2,696, RMB933 and RMB2,185 (US\$308), 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, 2023, all the share awards granted under 2013 Incentive Scheme had vesting terms of no longer than 5 years from the date of grant.

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The following table summarizes the restricted shares activity pursuant to the 2013 Incentive Scheme for the years ended December 31, 2021, 2022 and 2023, respectively:

	Number of shares	Weighted average grant date fair value (US\$) after modification
Outstanding at January 1, 2021	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
Granted	641,412	0.05
Vested	(1,038,123)	0.27
Forfeited	(975,867)	0.13
Unvested at December 31, 2023	<u>3,714,412</u>	0.12

The fair value of the restricted shares was determined based on the price of the Company’s publicly traded ADSs.

As of December 31, 2023, the total estimated unrecognized share-based compensation expense related to restricted shares awarded amounted to RMB1,024 (US\$144), and is expected to be recognized over a weighted-average period of 1.5 years.

The total fair value of vested restricted shares on their respective vesting dates for the years ended December 31, 2021, 2022 and 2023 were RMB2,199, RMB1,409 and RMB471 (US\$66).

***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.

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The following table summarizes the restricted shares activity pursuant to the 2011 Share Award Scheme for the years ended December 31, 2021, 2022 and 2023, respectively:

	Number of shares	Weighted average grant date fair value (US\$)
Unvested at January 1, 2021	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
Granted	—	—
Vested	(87,175)	0.26
Forfeited	—	—
Unvested at December 31, 2023	—	—

The fair value of the restricted shares was determined based on the price of the Company’s publicly traded ADSs.

As of December 31, 2023, all of the restricted shares awarded have been vested. The total fair value of vested restricted shares on their respective vesting dates for the years ended December 31, 2021, 2022 and 2023 were RMB2,154, RMB39 and RMB23 (US\$3), 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, 2021	Year ended December 31, 2022	Year ended December 31, 2023
Fair value of ordinary share (US\$)	4.34~4.87	—	0.81
Risk-free interest rates	0.07%	—	3.80%
Expected volatility range	52.02%	—	55.10%
Expected dividend yield	—	—	—
Fair value per option granted (US\$)	2.44~2.56	—	0.81

The following table summarizes the share-based compensation expenses of subsidiaries’ share-based awards recognized by the Group:

	For the year ended December 31,			
	2021 RMB	2022 RMB	2023 RMB	US\$
Cost of revenues	858	469	251	35
Research and development	7,400	(675)	(703)	(99)
Selling and marketing	342	209	104	15
General and administrative	361	2,225	8,372	1,179
<b>Total</b>	<b>8,961</b>	<b>2,228</b>	<b>8,024</b>	<b>1,130</b>

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As of December 31, 2023, there was RMB25,155 (US\$3,543) unrecognized share-based compensation expenses related to incentive plans, which is expected to be recognized over a vesting period of 2.0 years.

Total share-based compensation expenses recorded by the Group are as follows:

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Cost of revenues	1,027	686	370	52
Research and development	5,996	1,580	580	82
Selling and marketing	1,339	1,899	509	72
General and administrative	(1,212)	3,698	32,095	4,520
<b>Total</b>	<b>7,150</b>	<b>7,863</b>	<b>33,554</b>	<b>4,726</b>

**17. 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, 2023.

	Total	Less than 1 Year	1-3 Years	More than 3 Years
Purchase obligations	197,578	67,522	130,056	—

*Capital commitment*

As of December 31, 2023, 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, 2023. The Group records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Group reviews the need for any such liability on a regular basis. The Group has not recorded any material liabilities in this regard as of December 31, 2022 and 2023.

**18. 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

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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, 2022 and 2023.

As of December 31, 2022, there were 479,458,004 and 970,015,685 Class A and Class B ordinary shares outstanding. As of December 31, 2023, there were 487,212,501 and 1,006,956,885 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 losses per share.

***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,		
	2022	2023	
	RMB	RMB	US\$
PRC statutory reserve funds	60,847	67,800	9,549
Unreserved retained (losses)/earnings	(70,271)	(680,902)	(95,903)
<b>Total accumulated losses</b>	<b>(9,424)</b>	<b>(613,102)</b>	<b>(86,354)</b>

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 RMB2,688,615 (US\$378,684) as of December 31, 2023.

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.

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*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, 2021	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 income 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
Other comprehensive Income (loss) before reclassification	45,769	(43,494)	2,275
Other comprehensive income attribute to noncontrolling interests	631	—	631
Balance at December 31, 2023	400,436	(43,582)	356,854
Balance at December 31, 2023, in US\$	56,400	(6,138)	50,262

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, 2021, 2022 and 2023.

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**19. REDEEMABLE PREFERRE SHARES**

On November 30, 2023, the Group acquired additional 35.17% equity interest of Beijing OrionStar from certain of the existing shareholders of Beijing OrionStar, including Mr. Sheng Fu, chief executive officer and director of the Company, for an aggregate cash consideration of RMB268,724 (US\$37,849). The Group held, taking into account its existing shareholding, 72.91% of Beijing OrionStar’s equity interest and consolidated the financial results of Beijing OrionStar since November 30, 2023. According to Beijing OrionStar’s article of association after the acquisition, two shareholders of Beijing OrionStar holds Series B2 Preferred Shares of Beijing OrionStar, and the holders of Preferred shares have the right to cause the Group to purchase all (but not less than all) of the Preferred Shares at put option price. The exercise of the put option is subject to certain conditions as set out in the article of association of Beijing OrionStar, which is not solely within the control of the Beijing OrionStar. In addition, in the event of any liquidation, dissolution or winding up of Beijing OrionStar, either voluntarily or involuntarily, holders of Preferred Shares have the right to receive the certain liquidation preference price before the holders of ordinary shares, and ratably participate in distribution of the remaining assets after fully been paid of the liquidation preference price.

The Group accretes changes in the redemption value over the period from the date that it becomes probable that the mezzanine equity will become redeemable to the earliest redemption date using the effective interest method. The redeemable preferred shares for the years ended December 31, 2022 and 2023 are summarized below:

	<b>As of December 31,</b>
Balance at December 31, 2022	—
Issuance	105,726
Accretion	252
<b>Balance at December 31, 2023, in RMB</b>	<b>105,978</b>
<b>Balance at December 31, 2023, in US\$</b>	<b>14,927</b>

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**20. LOSS PER SHARE**

Basic and diluted 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, 2022 and 2023, as its effect would be anti-dilutive:

	Year ended December 31,					
	2021	2022	2023			
	Ordinary shares RMB	Ordinary shares RMB	Class A Ordinary shares RMB	Class A Ordinary shares US\$	Class B Ordinary shares RMB	Class B Ordinary shares US\$
<b>Losses per share—basic</b>						
<b>Numerator:</b>						
Net loss attributable to Cheetah Mobile Inc.	(351,126)	(513,475)	(197,770)	(27,855)	(405,128)	(57,061)
Dilution effect arising from dividends declared on share awards of consolidated subsidiaries	(2,009)	(8,715)	(35)	(5)	(72)	(10)
Net loss attributable to Cheetah Mobile Inc. after accretion of redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries	(353,135)	(522,190)	(197,805)	(27,860)	(405,200)	(57,071)
<b>Denominator:</b>						
Weighted average number of ordinary shares outstanding	1,430,052,602	1,443,682,305	483,066,304	483,066,304	989,548,977	989,548,977
Losses per share—basic	(0.2469)	(0.3617)	(0.4095)	(0.0577)	(0.4095)	(0.0577)
<b>Losses per share—diluted</b>						
<b>Numerator:</b>						
Net loss attributable to Cheetah Mobile Inc. after accretion of redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries	(353,135)	(522,190)	(197,805)	(27,860)	(405,200)	(57,071)
Dilution effect arising from share-based awards issued by subsidiaries	—	(291)	(229)	(32)	(470)	(66)
Reallocation of net loss as a result of conversion of Class B into Class A ordinary shares	—	—	(405,670)	(57,137)	—	—
Net loss attributable to ordinary shareholders	(353,135)	(522,481)	(603,704)	(85,029)	(405,670)	(57,137)
<b>Denominator:</b>						
Weighted average ordinary shares outstanding	1,430,052,602	1,443,682,305	483,066,304	483,066,304	989,548,977	989,548,977
Conversion of Class B into Class A ordinary shares	—	—	989,548,977	989,548,977	—	—
Denominator used for losses per share	1,430,052,602	1,443,682,305	1,472,615,281	1,472,615,281	989,548,977	989,548,977
Losses per share—diluted	(0.2469)	(0.3619)	(0.4100)	(0.0577)	(0.4100)	(0.0577)
<b>Losses per ADS:</b>						
Denominator used for losses per ADS—basic	28,601,052	28,873,646	29,452,306	29,452,306		
Denominator used for losses per ADS—diluted	28,601,052	28,873,646	29,452,306	29,452,306		
Losses per ADS—basic	(12.3469)	(18.0854)	(20.4740)	(2.8837)		
Losses per ADS—diluted	(12.3469)	(18.0954)	(20.4977)	(2.8870)		

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 losses per ADS and losses per ADS amount have been retroactively adjusted to reflect the changes in ratio for all periods presented.

**21. 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 RMB56,490, RMB54,510 and RMB54,275 (US\$7,644) for the years ended December 31, 2021, 2022 and 2023, respectively.



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**22. 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, 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 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
<b><i>Fair value measurement—Recurring:</i></b>						
<b>As of December 31, 2023</b>						
<b>Short-term investment</b>						
Wealth management products	—	—		—		
<b>Long-term Investment</b>						
Available-for-sale debt securities	111,697	15,732			111,697	(43,494)
Investments accounted for using fair value option	43,333	6,103			43,333	(334,921)
<b>As of December 31, 2022</b>						
<b>Short-term investment</b>						
Wealth management products	86,386	12,525		86,386		386
<b>Long-term Investment</b>						
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)

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Reconciliations of assets categorized within Level 3 under the fair value hierarchy are as follow:

	<b>Amounts</b>
	<b>RMB</b>
Balance as of January 1, 2021	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
Addition	111,697
Fair value change	(378,415)
Foreign exchange translation adjustments	9,215
Balance as of December 31, 2023	155,030
Balance as of December 31, 2023 in US\$	21,835

- (i) There were no transfers of fair value measurements into or out of Level 3 for the years ended December 31, 2021, 2022 and 2023.

Significant unobservable inputs used in the recurring fair value measurement for available-for-sale debt securities and investments accounted for using fair value option (level 3) are presented below:

	<b>Fair value</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Range</b>
Available-for-sale debt securities	111,697	Market approach	• Volatility	55.5%
Investments accounted for using fair value option*	43,332	Market approach	• Volatility	54.1%

\* As of December 31, 2023, the Group adjusted the valuation technique for investment accounts for using fair value option from discount cash flow method to market approach due to lack of the ability to obtain detailed financial information due to the loss of significant influence of such investment.

Significant increases (decreases) in the assumption of volatility 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.

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The following table summarizes the Group’s assets held as of December 31, 2022 and 2023 for which a non-recurring fair value measurement was recorded during the years ended December 31, 2022 and 2023:

	<u>Total Balance</u>	<u>Total Balance</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	<u>Total (losses) gains</u>
	RMB	US\$	RMB	RMB	RMB	RMB
<b>Fair value measurement—</b>						
<b>Non-Recurring:</b>						
<b>As of December 31, 2023</b>						
Equity investments accounted for using the measurement alternative	158,771	22,362			158,771	(121,392)
<b>As of December 31, 2022</b>						
Equity investments accounted for using the measurement alternative	646,577	93,745			646,577	(262,278)

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 Group uses valuation methodologies, the market approach and income approach, which requires management to use unobservable inputs (level 3). As of December 31, 2023, the carrying value of these impaired investment measured at level 3 inputs were written down from RMB 234,503 to fair value of RMB142,681 (US\$20,096). In 2023, preferred shares held by the Group of an investment previously accounted for using the measurement alternative was reclassified and accounted for as available-for-sale debt securities since the preferred shares are redeemable at the Group’s option. The Group remeasured the fair value of the investment upon the reclassification with a remeasurement loss of RMB25,808 (US\$3,635). The significant unobservable inputs used in the fair value measurement and the corresponding impacts to the fair values are presented below:

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range</u>
Equity investments accounted for using measurement alternative	158,771	Back-Solve method	• Volatility	46.2%
		Market Approach	• Volatility	55.3%~58.7%

**23. SUBSEQUENT EVENTS**

On January 9, 2024, the Group signed a share purchase agreement to further invest in Beijing OrionStar, which enables the Group to make a cash investment of US\$16.7 million in Beijing OrionStar and exercise its right under the convertible loan with principal amount of RMB100.0 million that the Group provided to Beijing OrionStar in 2021 to convert all of the principal and the accrued interest into Beijing OrionStar's equity interest. Additionally, Gongqingcheng Orion Industrial Investment Center (Limited Partnership) (the "Fund") made an investment of RMB150 million, into Beijing OrionStar. Conew Network, is one of the limited partners of the Fund and currently owns 49.5% interest in the Fund. Upon the completion of the investment, the Group's equity interest in Beijing OrionStar is expected to be 72.10%, without taking into account the stake it holds indirectly through the Fund; The Group will hold, both directly

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and indirectly, 73.95% equity interest in Beijing OrionStar, including the stake it holds indirectly through the Fund. The indirect interest held by the Group through the Fund is considered to be controlled by the Group and the indirect interests held by the other limited partner and the fund manager of the fund are recognized as mezzanine equity of the Group, and have no impact on the statement of comprehensive losses.

The Group has evaluated subsequent events through the date of issuance of the consolidated financial statements and does not identify any other events that would have material financial impact on the Group’s consolidated financial statements.

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**24. CONDENSED FINANCIAL INFORMATION OF THE COMPANY**

*Balance Sheets*

	As of December 31,		
	2022	2023	
	RMB	RMB	US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	130,746	202,028	28,455
Short-term investments	—	—	—
Prepayments and other current assets, net	111,986	2,715	382
Due from subsidiaries and related parties, net	2,345,588	2,604,647	366,857
<b>Total current assets</b>	<b>2,588,320</b>	<b>2,809,390</b>	<b>395,694</b>
<b>Non-current assets</b>			
Long-term investments	477,366	152,355	21,459
Contractual interests in VIEs and their subsidiaries	76,505	2,232	314
Investment in subsidiaries	397,930	251,747	35,458
Other non-current assets	—	—	—
<b>Total non-current assets</b>	<b>951,801</b>	<b>406,334</b>	<b>57,231</b>
<b>Total assets</b>	<b>3,540,121</b>	<b>3,215,724</b>	<b>452,925</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accrued expenses and other current liabilities	10,595	12,730	1,793
Due to subsidiaries and related parties	301,582	581,529	81,907
Income tax payable	13,105	14,322	2,017
<b>Total current liabilities</b>	<b>325,282</b>	<b>608,581</b>	<b>85,717</b>
Deferred tax liabilities	40,897	8,277	1,166
Other non-current liabilities	140,611	142,995	20,140
<b>Total non-current liabilities</b>	<b>181,508</b>	<b>151,272</b>	<b>21,306</b>
<b>Total liabilities</b>	<b>506,790</b>	<b>759,853</b>	<b>107,023</b>
<b>Shareholders' equity</b>			
Class A ordinary shares (par value of US\$0.000025 per share; 7,600,000,000 shares authorized; 480,604,900 and 493,104,900 shares issued as of December 31, 2022 and 2023, respectively; 479,458,004 and 487,212,501 shares outstanding as of December 31, 2022 and 2023, respectively)	80	81	11
Class B ordinary shares (par value of US\$0.000025 per share; 1,400,000,000 shares authorized; 970,015,685 and 1,006,956,885 shares issued as of December 31, 2022 and 2023, respectively; 970,015,685 and 1,006,956,885 shares outstanding as of December 31, 2022 and 2023, respectively)	156	163	23
Additional paid-in capital	2,688,571	2,711,875	381,960
Accumulated losses	(9,424)	(613,102)	(86,354)
Accumulated other comprehensive income	353,948	356,854	50,262
<b>Total shareholders' equity</b>	<b>3,033,331</b>	<b>2,455,871</b>	<b>345,902</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,540,121</b>	<b>3,215,724</b>	<b>452,925</b>

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*Statements of Comprehensive loss*

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
<b>Revenues</b>	—	—	—	—
Cost of revenues	—	—	—	—
<b>Gross profit</b>	—	—	—	—
<b>Operating expenses</b>				
Research and development	(3)	—	—	—
General and administrative	(21,978)	(23,615)	(14,013)	(1,974)
<b>Total operating expenses</b>	<b>(21,981)</b>	<b>(23,615)</b>	<b>(14,013)</b>	<b>(1,974)</b>
Equity in loss of subsidiaries	(352,616)	(471,710)	(293,917)	(41,397)
Interest (expense) income, net	(9)	3,211	5,420	763
Foreign exchange gains, net	71	280	658	93
Other income (expense), net	35,537	(25,441)	(329,592)	(46,422)
<b>Loss before income taxes</b>	<b>(338,998)</b>	<b>(517,275)</b>	<b>(631,444)</b>	<b>(88,937)</b>
Income tax (expenses) benefits	(12,128)	3,800	28,546	4,021
<b>Net Loss</b>	<b>(351,126)</b>	<b>(513,475)</b>	<b>(602,898)</b>	<b>(84,916)</b>
<b>Other comprehensive (loss) income, net of tax of nil</b>				
Unrealized losses on available-for-sale securities, net	—	(8,269)	(43,494)	(6,126)
Foreign currency translation adjustments	(75,078)	273,955	46,400	6,535
<b>Other comprehensive (loss) income</b>	<b>(75,078)</b>	<b>265,686</b>	<b>2,906</b>	<b>409</b>
<b>Total comprehensive loss</b>	<b>(426,204)</b>	<b>(247,789)</b>	<b>(599,992)</b>	<b>(84,507)</b>

*Statements of Cash Flows*

	For the year ended December 31,			
	2021	2022	2023	
	RMB	RMB	RMB	US\$
Net cash provided by (used in) operating activities	666	(26,054)	(12,315)	(1,734)
Net cash (used in) provided by investing activities	(864,999)	137,160	82,830	11,666
Net cash provided by (used in) financing activities	891,960	—	(2,503)	(353)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(25,469)	(761)	3,270	461
<b>Net increase in cash and cash equivalents and restricted cash</b>	<b>2,158</b>	<b>110,345</b>	<b>71,282</b>	<b>10,040</b>
<b>Cash and cash equivalents and restricted cash at beginning of the year</b>	<b>18,243</b>	<b>20,401</b>	<b>130,746</b>	<b>18,415</b>
<b>Cash and cash equivalents and restricted cash at end of the year</b>	<b>20,401</b>	<b>130,746</b>	<b>202,028</b>	<b>28,455</b>

*(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 loss of subsidiaries” on the condensed statements of comprehensive loss. The subsidiaries, VIEs and subsidiaries of VIEs did not pay any dividends to the Company for the year ended 31, 2021 and 2022. The Company received dividends of RMB435,055(US\$61,276) for its subsidiaries for the year ended 31, 2023.

**CHEETAH MOBILE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, 2022 AND 2023**

**(Amounts in thousands of Renminbi (“RMB”) and U.S. Dollars (“US\$”), except for number of shares and per share (or ADS) data)**

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, 2023.

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Beijing OrionStar Technology Co., Ltd.  
Equity Transfer Agreement**

This Equity Transfer Agreement (hereinafter referred to as the “**Agreement**”), dated October 31, 2023 (hereinafter referred to as the “**Execution Date**”), is signed and entered into by both Parties:

1. Beijing Kingsoft Internet Security Software Co., Ltd., a limited liability company organized in accordance with the laws of the People’s Republic of China (hereinafter referred to as “**China**”, which, for the purpose of this Agreement, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan) with its registered office at [\*\*\*] (hereinafter referred to as the “**Kingsoft Security**” or the “**Transferee**”);
2. Sheng Fu (ID number: [\*\*\*]), residing at [\*\*\*] (hereinafter referred to as the “**Transferor**”).

In this Agreement, the signatories above are collectively referred to as the “**Parties**” and individually as the “**Party**”.

**WHEREAS:**

1. Beijing OrionStar Technology Co., Ltd. stands as a limited liability company under China’s laws, bearing the unified social credit code 91110107MA008AYB44 (hereinafter referred to as the “**Company**”, collectively referred to with its directly and indirectly controlled subsidiaries and branches as the “**Group Companies**”).
2. As of the execution date of this Agreement, the Company’s registered capital amounts to CNY 31,826,676. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

<b>Shareholder</b>	<b>Subscribed Registered Capital (Unit: CNY)</b>	<b>Proportion of Equity</b>
Beijing Kingsoft Security Software Co., Ltd. (“Kingsoft Security”)	12,010,910	37.7385%
Fu Sheng	8,000,000	25.1361%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	24.5399%
Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)	181,800	0.5712%
Future Capital Discovery Fund II, L.P.	45,455	0.1428%
Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership)	971,622	3.0529%
Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership)	31,137	0.0978%
West Origin Orion LP	1,851,091	5.8162%
Norma (Shanghai) Investment Consulting Co., Ltd.	111,825	0.3514%



<b>Shareholder</b>	<b>Subscribed Registered Capital (Unit: CNY)</b>	<b>Proportion of Equity</b>
Duan Liping	660,242	2.0745%
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	0.4787%
<b>Total</b>	<b>31,826,676</b>	<b>=SUM(ABOVE)*100 \\# "0%" 100%</b>

3. The Transferor proposes to transfer, and the Transferee intends to accept, all of the Transferor's registered capital in the Company, in alignment with the terms and conditions of this Agreement.

Hence, after amicable negotiation, the Parties have agreed as follows:

### 1. Equity Transfer

- 1.1 This equity transfer (hereinafter referred to as the "**Equity Transfer**"), subject to the fulfillment or written waiver by the Transferee of all prerequisites specified in Article 3 (hereinafter referred to as the "**Closing Conditions**"), will be completed upon the Transferee's acquisition of the paid-up registered capital held by the Transferor in the Company for the agreed amount (hereinafter referred to as the "**Target Equity**") at the price of CNY8,000,000 (hereinafter referred to as the "**Equity Transfer Price**").

### 2. Closing

- 2.1 The Transferee shall remit the Equity Transfer Price to the Transferor within 10 business days following the fulfillment or written waiver of the Closing Conditions as stipulated in Article 3 ("**Closing**", with the actual closing date as the "**Closing Date**").
- 2.2 From the Closing Date onwards, the Transferee will assume and exercise all shareholder rights and obligations in accordance with applicable laws, regulations, and the Company's Articles of Association, as individually agreed upon by the Company and its shareholders.
- 2.4 The Parties mutually agree to empower the Company with the responsibility to proceed with the registration and filing procedures in respect of all changes in relation to this equity transfer. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures.

### 3. Closing Conditions

- 3.1 The Closing shall be subject to the fulfillment or written waiver by the Transferee of the following conditions, either before or on the Closing Date:
- 3.1.1 All statements and guarantees provided by the Transferor hereunder are true, accurate, complete and not misleading as of the Closing Date;
- 3.1.2 Any undertakings and obligations of Transferor stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;
- 3.1.3 By the Closing Date, there is no event or circumstance that will or may have any material adverse effect on the legitimate existence, production management, business operation, financial condition and business reputation of the Group Companies;
- 3.1.4 The related parties have executed and delivered this Agreement, the Articles of Association, and other documents relevant to the Equity Transfer (collectively as "**Transaction Documents**");

3.1.5 The Company's Board of Directors has adopted the resolution on the approval of the following matters:

- (1) This Equity Transfer;
- (2) Amendments to the Articles of Association.

3.1.6 The Company has applied for the business-related registration/the change of registration for the record-filing matters/filing with respect to the Equity Transfer to indicate the transferee's acquisition of the Target Equity Interests as per this Agreement;

3.1.7 The Transferee's internal authority has approved this equity transfer.

#### **4. Statements and Guarantees**

4.1 The Transferor hereby makes the following statements and guarantees to the Transferee per se, valid, precise, comprehensive, and free from deception as of the Execution Date of this Agreement:

4.1.1 The Transferor, as a natural person, possesses full civil capacity and is vested with all necessary ability, power and authority to sign and execute the Transaction Documents;

4.1.2 The Transferor's execution in and fulfillment of the Transaction Documents will not result in (1) a breach of any contracts, agreements, or other legal document binding on it; nor (2) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;

4.1.3 The Transferor lawfully owns the Target Equity Interests, with the Company's registered capital corresponding to the Target Equity Interests held by the Transferor being fully and validly paid in accordance with the Company's Articles of Association. There exists no overdue, evaded, or falsely represented capital contribution;

4.1.4 Except as previously disclosed to the Transferee, there are no encumbrances such as mortgages, pledges, or other securities over the Target Equity Interests held by the Transferor. There are no communal, sequestration, trusteeship, or other restrictions on rights (including any third-party claims, including those by governmental authorities, or any vote-by-proxy arrangements or voting right trust arrangements). Moreover, there are no nominee holdings, similar arrangements, disputes, or litigations.

#### **5. Confidentiality**

5.1 "**Confidential Information**" hereunder refers to information related to the Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Kingsoft Security, along with its affiliates, is entitled to disclose notices about the Agreement's transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as "**Kingsoft Security Notices**"). The Transferor is prohibited from issuing any news releases (hereinafter referred to as the "**Other News Releases**") without Kingsoft Security's explicit prior written approval before the launch of Kingsoft Security Notices. Such releases must not contain information and contents beyond what Kingsoft Security has already disclosed in Kingsoft Security Notices.

5.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.

5.3 The breach of confidentiality shall not extend to the following scenarios:

5.3.1 Should a Party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party's reasonable requests; or

5.3.2 Disclosure shall be as mutually consented to in a written agreement by both Parties. A Party may disclose the terms of this Agreement with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## **6. Termination**

6.1 Should the Transferor not meet the Closing Conditions within 120 days from the execution date of this Agreement (or within an agreed-upon extended timeframe in writing by both the Transferor and Transferee) and fail to obtain the Transferee's waiver, the Transferee reserves the right to unilaterally terminate this Agreement by written notice to the Transferor, without forfeiting the Transferee's entitlement to claim damages for contractual breach by the Transferor.

## **7. Liability for Breach of the Agreement**

After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the "**Defaulting Party**") prove to be untrue, false, incomplete, or misleading, or if there is a failure in fulfilling the agreed-upon obligations, the Defaulting Party is obligated to compensate the other Party for all tangible losses incurred due to this breach.

## **8. Tax Liability**

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and the Equity Transfer therein.

## **9. Applicable Laws**

The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **10. Dispute Resolution**

10.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission's then-current arbitration rules, and the arbitration shall be conducted in Beijing.

10.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.

10.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the

Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.

10.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## 11. General Terms

11.1 This Agreement is made in Chinese.

11.2 Any amendments to this Agreement or its annexes necessitate a written agreement by both Parties before coming into effect.

11.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.

11.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, both Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.

11.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.

11.6 This Agreement shall be effective from the date it is duly executed by both Parties.

11.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, facsimile, or email to the following designated addresses:

**Transferee:**

To: [\*\*\*]

Address: [\*\*\*]

E-mail: [\*\*\*]

**Transferor:**

To: [\*\*\*]

Address: [\*\*\*]

E-mail: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

11.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;

11.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;

- 11.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;
- 11.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or
- 11.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
- 11.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Party.
- 11.8 This Agreement is executed in duplicate, each Party holding one, both of which are considered original and have equal legal effect. A facsimile, scanned, or emailed copy of this Agreement shall be equally valid and enforceable as an original.
- 11.9 The term "**Affiliate**" hereunder, pertains to, in respect of any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "**Affiliate**" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 11.10 The terms "**Control**", "**Controlled by**" and "**Jointly Controlled by**" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

[No text below, Signature Page to the Equity Transfer Agreement Follows]

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

Beijing Kingsoft Internet Security Software Co., Ltd.  
(Seal)

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

Sheng FU

Signature: /s/ Sheng Fu

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Beijing OrionStar Technology Co., Ltd.  
Equity Transfer Agreement**

This Equity Transfer Agreement (hereinafter referred to as the “**Agreement**”), dated November 30, 2023 (hereinafter referred to as the “**Execution Date**”), is signed and entered into by and among:

1. Beijing Kingsoft Internet Security Software Co., Ltd., a limited liability company organized in accordance with the laws of the People’s Republic of China (hereinafter referred to as “**China**”, which, for the purpose of this Agreement, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan) with its registered office at [\*\*\*] (hereinafter referred to as the “**Kingsoft Security**” or the “**Transferee**”);
2. Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership), a limited partnership established in accordance with the laws of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Kangyuan Tongxin**”);
3. Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership), a limited partnership established in accordance with the laws of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Kangzheng Tongxin**”, together with Kangyuan Tongxin, individually or collectively, as the “**Transferors**”);
4. Beijing OrionStar Technology Co., Ltd., a limited liability company organized in accordance with the laws of the People’s Republic of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Company**”);

In this Agreement, the signatories above are collectively referred to as the “**Parties**” and individually as the “**Party**”.

**WHEREAS:**

1. Beijing OrionStar Technology Co., Ltd. stands as a limited liability company under China’s laws, bearing the unified social credit code 91110107MA008AYB44 (hereinafter referred to as the “**Company**”, collectively referred to with its directly and indirectly controlled subsidiaries and branches as the “**Group Companies**”).
2. As of the execution date of this Agreement, the Company’s registered capital amounts to CNY 31,826,676. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Beijing Kingsoft Security Software Co., Ltd. (“ <b>Kingsoft Security</b> ”)	20,010,910	62.8746%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	24.5399%
Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)	181,800	0.5712%



Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Future Capital Discovery Fund II, L.P.	45,455	0.1428%
Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership)	971,622	3.0529%
Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership)	31,137	0.0978%
West Origin Orion LP	1,851,091	5.8162%
Norma (Shanghai) Investment Consulting Co., Ltd.	111,825	0.3514%
Duan Liping	660,242	2.0745%
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	0.4787%
<b>Total</b>	<b>31,826,676</b>	<b>=SUM(ABOVE)*100 \\# "0%" 100%</b>

3. The Transferors propose to transfer, and the Transferee intends to accept, all of the Transferors' registered capital in the Company, in alignment with the terms and conditions of this Agreement.
4. [\*\*\*]

Hence, after amicable negotiation, the Parties have agreed as follows:

## 1. Equity Transfer

- 1.1 Subject to the fulfillment or written waiver of all the conditions precedent set forth in Article 3 hereof (hereinafter referred to as the "**Closing Conditions**"), the Parties agree that the specific arrangements for this Equity Transfer (hereinafter referred to as the "**Equity Transfer**") shall be as follows: (1) Kangyuan Tongxin shall transfer the paid-in registered capital of the Company held by it in the amount of CNY 971,622 (hereinafter referred to as the "**Kangyuan Equity**") to the Transferee at the price of CNY 65,353,820.82 (hereinafter referred to as the "**Kangyuan Equity Transfer Price**"), (2) Kangzheng Tongxin shall transfer the paid-in registered capital of the Company held by it in the amount of CNY 31,137 (hereinafter referred to as the "**Kangzheng Equity**", together with Kangyuan Equity, the "**Target Equity**") to the Transferee at the price of CNY 2,518,592.49 (hereinafter referred to as the "**Kangzheng Equity Transfer Price**", together with the Kangyuan Equity Transfer Price, the "**Equity Transfer Price**").

- 1.2 [\*\*\*]

## 2. Closing

2

- 2.1 The Transferee shall pay the Equity Transfer Price to each of the Transferors within 10 business days upon the fulfillment or written waiver by the Transferee of all conditions precedent set for in Article 3 (hereinafter referred to as the "**Closing**", and the day on which the Closing takes place shall be referred to as the "**Closing Date**"). The receiving bank accounts of the Transferors are as follows:

Account name: [\*\*\*]  
Bank name: [\*\*\*]  
Account number: [\*\*\*]

Account name: [\*\*\*]  
Bank name: [\*\*\*]

Account number: [\*\*\*]

- 2.2 From the Closing Date, the Transferee will assume and exercise all shareholder rights and obligations in accordance with applicable laws, regulations, the Sino-foreign equity joint venture agreement (hereinafter referred to as the “**JV Agreement**”) and the Company’s Articles of Association, as individually agreed upon by the Company and its shareholders, and the Transferors shall cease to be the shareholders of the Company and shall no longer assume the obligations of a shareholder.
- 2.3 On the Closing Date, the Transferors shall deliver to the Transferee the Termination of Director Appointment Letter for the director appointed by Kangyuan Tongxin on the condition that that the Transferee has fully paid the Equity Transfer Price.
- 2.4 The Transferors hereby confirm that there are no pending or potential disputes with the Company and/or shareholders of the Company, and from the date on which the Transferee has fully paid the Equity Transfer Price, the Transferors shall have no right to claim against the Company and/or shareholders of the Company with respect to their former equity interests in the Company or their former roles as the shareholders of the Company, except to request the Company to complete the amendment registration procedures with respect to the Equity Transfer in accordance with this Agreement.
- 2.5 The Parties agree to empower the Company with the responsibility to proceed with the registration and filing procedures in respect of all changes in relation to this Equity Transfer. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures. The Company shall complete the amendment registration procedures in connection with the Equity Transfer prior to January 22, 2024.

### **3. Closing Conditions**

- 3.1 The Closing shall be subject to the fulfillment or written waiver by the Transferee of the following conditions, either before or on the Closing Date:
  - 3.1.1 All statements and guarantees provided by the Transferors hereunder are true, accurate, complete and not misleading as of the Closing Date;
  - 3.1.2 Any undertakings and obligations of Transferors stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;
  - 3.1.3 The Parties shall have executed and delivered this Agreement;
  - 3.1.4 The Company’s Board of Directors shall have passed a resolution approving the Equity Transfer.
- 3.2 The Closing shall be subject to the fulfillment or written waiver by the Transferors of the following conditions, either before or on the Closing Date:
  - 3.2.1 All statements and guarantees provided by the Transferee hereunder are true, accurate, complete and not misleading as of the Closing Date;
  - 3.2.2 Any undertakings and obligations of Transferee stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;
  - 3.2.3 The capital structure of the Company remains unchanged from that described in Article 2 of the Whereas clauses hereof as of the Execution Date;
  - 3.2.4 Except for the matters disclosed to the Transferors, there shall not have occurred any event or circumstance that shall have or would have any material adverse effect on the legal existence,

production management, business operation, financial condition or business reputation of the Group Companies compared with the date hereof.

#### **4. Statements and Guarantees**

4.1 Each Transferor hereby makes the following statements and guarantees to the Transferee as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:

4.1.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;

4.1.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;

4.1.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;

4.1.4 It lawfully owns the Target Equity, with the Company's registered capital corresponding to the Target Equity held by such Transferor being fully and validly paid in accordance with the Company's Articles of Association. There exists no overdue, evaded, or falsely represented capital contribution;

4.1.5 There are no encumbrances such as mortgages, pledges, or other securities over the Target Equity held by such Transferor. There are no communal, sequestration, trusteeship, or other restrictions on rights (including any third-party claims, including those by governmental authorities, or any vote-by-proxy arrangements or voting right trust arrangements). Moreover, there are no nominee holdings, similar arrangements, disputes, or litigations.

4.2 The Transferee hereby makes the following statements and guarantees to the Transferors as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:

4.2.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;

4.2.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;

4.2.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;

4.2.4 The source of the funds paid by the Transferee to the Transferors under this Agreement are legitimate.

#### **5. Use of Name, Trade Name**

- 5.1 Without the prior written consent of each Party and regardless of whether such other Party then holds, directly or indirectly, any equity interest in the Company, no other Party shall use, publish, reproduce, disseminate or display (public or private) (i) the name or logo of such Party or its affiliates, or (ii) the name, trademark or logo similar to the name or logo of such Party or its affiliates, in any marketing, advertising or promotional material or for any marketing, advertising or promotional purpose.

## 6. Confidentiality

- 6.1 “**Confidential Information**” hereunder refers to information related to the Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Kingsoft Security, along with its affiliates, is entitled to disclose notices about the Agreement’s transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as “**Kingsoft Security Notices**”). The Transferors are prohibited from issuing any news releases (hereinafter referred to as the “**Other News Releases**”) without Kingsoft Security’s explicit prior written approval before the launch of Kingsoft Security Notices. Such releases must not contain information and contents beyond what Kingsoft Security has already disclosed in Kingsoft Security Notices.
- 6.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.
- 6.3 The breach of confidentiality shall not extend to the following scenarios:
- 6.3.1 Should a Party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party’s reasonable requests; or
- 6.3.2 Disclosure shall be as mutually consented to in a written agreement by both Parties. A Party may disclose the terms of this Agreement with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## 7. Termination

- 7.1 This Agreement may be terminated in writing mutually agreed by the Parties.
- 7.2 If the Closing Conditions set forth in Article 3 hereof fail to be fulfilled and fail to be waived by the entitled Party within 120 days from the execution date of this Agreement (or within an agreed-upon extended timeframe in writing by the Parties) due to reasons attributable to any Party, the counterparty who is not liable for the failure to fulfil the Closing Condition, shall have the right to terminate this Agreement by issuing a written notice to the other Parties; however, the termination shall not affect relevant Party’s right to request the Defaulting Party to bear liabilities for breach the provisions of this Agreement.

## 8. Liability for Breach of the Agreement

- 8.1 After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the “**Defaulting Party**”) prove to be untrue, false, incomplete, or

misleading, or if there is a failure in fulfilling the agreed-upon obligations, the Defaulting Party is obligated to compensate the other Party for all tangible losses incurred due to this breach.

- 8.2 If the Transferee fails to make the full payment of the Equity Transfer Price to the Transferors in accordance with this Agreement, the Transferee shall pay liquidated damages to the relevant Transferor in the amount of 0.05% of the outstanding amount for each day of delay, until the date on which such breach is rectified.
- 8.3 If, on the date on which Transferee makes full payment of the Equity Transfer Price to the Transferors, Kangyuan Tongxin fails to deliver the Termination of Director Appointment Letter to the Transferee in accordance with Article 2 of this Agreement titled “*Closing*”, Transferor in breach shall pay liquidated damages to the Transferee in the amount of 0.05% of the Equity Transfer Price paid by the Transferee for each day of delay, until the date on which such breach is rectified.
- 8.4 If the Company fails to complete the amendment registration for the Equity Transfer as scheduled in accordance with this Agreement, except as otherwise agreed upon by the Parties in writing for extension of the amendment registration, the Company shall pay liquidated damages to the relevant Transferor for such failure in completing the amendment registration on schedule at the rate of 0.02% of the Equity Transfer Price the relevant Transferor is entitled to hereunder for each day of delay. If the Transferors remain registered as the shareholders of the Company, which causes any other losses or potential risk to such Transferor, the Company shall be responsible to settle and reimburse such losses suffered by the Transferors as a result thereof.

## **9. Tax Liability**

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and the Equity Transfer therein. The Parties specifically confirm that, the Transferors shall be solely responsible for any of the taxes filing matters arising from the Equity Transfer.

## **10. Applicable Laws**

The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **11. Dispute Resolution**

- 11.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission’s then-current arbitration rules, and the arbitration shall be conducted in Beijing.
- 11.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.
- 11.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.
- 11.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## **12. General Terms**

- 12.1 This Agreement is made in Chinese and the Chinese version shall prevail.
- 12.2 Any amendments to this Agreement or its annexes necessitate a written agreement by both Parties before coming into effect.
- 12.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.
- 12.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, both Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.
- 12.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.
- 12.6 This Agreement shall be effective upon affixation of signature by the legal representatives or authorized representatives and company seal of the Parties.
- 12.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, facsimile, or email to the following designated addresses:

**Transferee:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

**Kangyuan Tongxin:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

**Kanzheng Tongxin:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

- 12.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;
- 12.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;
- 12.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;

- 12.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or
- 12.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
- 12.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Party.
- 12.8 This Agreement is executed in four counterparts, each Party holding one copy. Each copy shall be deemed an original and have equal legal effect.
- 12.9 Subject to the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibition of Commercial Bribery and the relevant requirements for the anti-corruption work, the Parties undertake that they shall not take advantage of their positions to extort or illegally accept any property from or seek benefits for any other Parties to this Agreement, or illegally seek benefits for any other Parties to this Agreement. If any Party hereto breaches the above undertakings, the non-breaching Party shall have the right to pursue its legal liabilities in accordance with the laws and regulations. If any Party to this Agreement discovers any violation of this article by other Parties, it shall report through the reporting email set forth in this Agreement: [\*\*\*].
- 12.10 The term "Affiliate" hereunder, pertains to, in respect of any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "Affiliate" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 12.11 The terms "Control", "Controlled by" and "Jointly Controlled by" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

[No text below, Signature Page to the Equity Transfer Agreement Follows]

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Beijing Kingsoft Internet Security Software Co., Ltd.**  
(Seal)

Legal Representative or Authorized Representative:     /s/ Sheng Fu



IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Beijing Kangyuan Tongxin Management Consulting Center (L.P.)**  
(Seal)

Legal Representative or Authorized Representative: \_\_\_\_/s/ Zhang Meng\_\_\_\_\_

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Beijing Kangzheng Tongxin Management Consulting Center (L.P.)**  
(Seal)

Legal Representative or Authorized Representative: /s/ Li Chensong

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Beijing OrionStar Technology Co., Ltd.**  
(Seal)

Legal Representative or Authorized Representative: /s/ Liu Yuanyuan

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Beijing OrionStar Technology Co., Ltd.  
Equity Transfer Agreement**

This Equity Transfer Agreement (hereinafter referred to as the “**Agreement**”), dated November 30, 2023 (hereinafter referred to as the “**Execution Date**”), is signed and entered into by both Parties:

1. Beijing Kingsoft Internet Security Software Co., Ltd., a limited liability company organized in accordance with the laws of the People’s Republic of China (hereinafter referred to as “**China**”, which, for the purpose of this Agreement, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan) with its registered office at [\*\*\*] (hereinafter referred to as the “**Kingsoft Security**” or the “**Transferee**”);
2. Norma (Shanghai) Investment Consulting Co., Ltd., a limited liability company organized in accordance with the laws of the People’s Republic of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Transferor**”);

In this Agreement, the signatories above are collectively referred to as the “**Parties**” and individually as the “**Party**”.

**WHEREAS:**

1. Beijing OrionStar Technology Co., Ltd. stands as a limited liability company under China’s laws, bearing the unified social credit code 91110107MA008AYB44 (hereinafter referred to as the “**Company**”, collectively referred to with its directly and indirectly controlled subsidiaries and branches as the “**Group Companies**”).
2. As of the execution date of this Agreement, the Company’s registered capital amounts to CNY 31,826,676. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

<b>Shareholder</b>	<b>Subscribed Registered Capital (Unit: CNY)</b>	<b>Proportion of Equity</b>
Beijing Kingsoft Security Software Co., Ltd. (“ <b>Kingsoft Security</b> ”)	20,010,910	62.8746%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	24.5399%
Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)	181,800	0.5712%
Future Capital Discovery Fund II, L.P.	45,455	0.1428%
Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership)	971,622	3.0529%
Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership)	31,137	0.0978%
West Origin Orion LP	1,851,091	5.8162%
Norma (Shanghai) Investment	111,825	0.3514%

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Consulting Co., Ltd.		
Duan Liping	660,242	2.0745%
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	0.4787%
<b>Total</b>	<b>31,826,676</b>	<b>=SUM(ABOVE)*100 \\# "0%" 100%</b>

3. The Transferor proposes to transfer, and the Transferee intends to accept, all of the Transferor's registered capital in the Company, in alignment with the terms and conditions of this Agreement.

4. [\*\*\*]

Hence, after amicable negotiation, the Parties have agreed as follows:

### 1. Equity Transfer

1.1 This equity transfer (hereinafter referred to as the "**Equity Transfer**"), subject to the fulfillment or written waiver by the Transferee of all prerequisites specified in Article 3 (hereinafter referred to as the "**Closing Conditions**"), will be completed upon the Transferee's acquisition of the paid-up registered capital held by the Transferor in the Company in the amount of CNY 111,825 (hereinafter referred to as the "**Target Equity**") at the price of CNY10,000,000 (hereinafter referred to as the "**Equity Transfer Price**").

1.2 [\*\*\*]

### 2. Closing

2

2.1 The date on which all conditions precedent to the Closing as set forth in Article 3 hereof are fulfilled or waived by the Transferee in writing shall be the "Closing Date".

2.2 From the Closing Date, the Transferee will assume and exercise all shareholder rights and obligations in accordance with applicable laws, regulations, the Sino-foreign equity joint venture agreement (hereinafter referred to as the "**JV Agreement**") and the Company's Articles of Association, as individually agreed upon by the Company and its shareholders.

2.3 The Transferor hereby confirms that there are no pending or potential disputes with the Company and/or shareholders of the Company, and from the date on which the Transferee has fully paid the Equity Transfer Price, the Transferor shall have no right to claim against the Company and/or shareholders of the Company with respect to their former equity interests in the Company or their former roles as the shareholders of the Company.

2.4 The Parties agree to empower the Company with the responsibility to proceed with the registration and filing procedures in respect of all changes in relation to this Equity Transfer. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures.

### 3. Closing Conditions

3.1 The Closing shall be subject to the fulfillment or written waiver by the Transferee of the following conditions, either before or on the Closing Date:

- 3.1.1 All statements and guarantees provided by the Parties hereunder are true, accurate, complete and not misleading as of the Closing Date;
- 3.1.2 Any undertakings and obligations of Transferor stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;
- 3.1.3 By the Closing Date, there is no event or circumstance that will or may have any material adverse effect on the legitimate existence, production management, business operation, financial condition and business reputation of the Group Companies;
- 3.1.4 The related parties have executed and delivered this Agreement and other documents relevant to the Equity Transfer (collectively as “**Transaction Documents**”), the Transferee shall propose the Transaction Documents to be executed by the Transferor in writing once for confirmation by the Parties;
- 3.1.5 The Company’s Board of Directors has adopted the resolution on the approval of the following matters:
  - (1) This Equity Transfer;
  - (2) Amendments to the Articles of Association.
- 3.1.6 West Origin Orion LP and Norma (Shanghai) Investment Consulting Co., Ltd. and the director jointly appointed by them, Ning Zhang, have executed the Termination of Director Appointment Letter and the Resignation Letter (if applicable);
- 3.1.7 The Transferee’s internal authority has approved this equity transfer.

#### **4. Statements and Guarantees**

- 4.1 The Transferor hereby makes the following statements and guarantees to the Transferee as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:
  - 4.1.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;
  - 4.1.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;
  - 4.1.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;
  - 4.1.4 It lawfully owns the Target Equity, with the Company’s registered capital corresponding to the Target Equity held by the Transferor being fully and validly paid in accordance with the Company’s Articles of Association. There exists no overdue, evaded, or falsely represented capital contribution;
  - 4.1.5 There are no encumbrances such as mortgages, pledges, or other securities over the Target Equity held by the Transferor. There are no communal, sequestration, trusteeship, or other restrictions on rights (including any third-party claims, including those by governmental

authorities, or any vote-by-proxy arrangements or voting right trust arrangements). Moreover, there are no nominee holdings, similar arrangements, disputes, or litigations.

4.2 The Transferee hereby makes the following statements and guarantees to the Transferor as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:

4.2.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;

4.2.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;

4.2.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;

## 5. Use of Name, Trade Name

5.1 Without the prior written consent of each Party and regardless of whether such other Party then holds, directly or indirectly, any equity interest in the Company, no other Party shall use, publish, reproduce, disseminate or display (public or private) (i) the name or logo of such Party or its affiliates, or (ii) the name, trademark or logo similar to the name or logo of such Party or its affiliates, in any marketing, advertising or promotional material or for any marketing, advertising or promotional purpose.

## 6. Confidentiality

6.1 “**Confidential Information**” hereunder refers to information related to the Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Kingsoft Security, along with its affiliates, is entitled to disclose notices about the Agreement’s transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as “**Kingsoft Security Notices**”). The Transferor is prohibited from issuing any news releases (hereinafter referred to as the “**Other News Releases**”) without Kingsoft Security’s explicit prior written approval before the launch of Kingsoft Security Notices. Such releases must not contain information and contents beyond what Kingsoft Security has already disclosed in Kingsoft Security Notices.

6.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.

6.3 The breach of confidentiality shall not extend to the following scenarios:

6.3.1 Should a Party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall

undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party's reasonable requests; or

- 6.3.2 Disclosure shall be as mutually consented to in a written agreement by both Parties. A Party may disclose the terms of this Agreement with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## 7. Termination

- 7.1 If the Closing Conditions set forth herein fail to be fulfilled and fail to be waived by the Transferee within 120 days from the execution date of this Agreement (or within an agreed-upon extended timeframe in writing by the Parties), the Transferee shall have the right to terminate this Agreement by issuing a written notice to the Transferor; however, the termination shall not affect the Transferee's right to request the Transferor to bear liabilities for breach the provisions of this Agreement. The Transferee shall not have the right to terminate this Agreement, and the Transferor shall have the right to request the Transferee to bear liabilities for breach should the Closing Conditions fail to be satisfied for reasons attributable to the Transferee.

## 8. Liability for Breach of the Agreement

- 8.1 After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the "**Defaulting Party**") prove to be untrue, false, incomplete, or misleading, or if there is a failure in fulfilling the agreed-upon obligations, the Defaulting Party is obligated to compensate the other Party for all tangible losses incurred due to this breach. If the breach is attributable to reasons attributable to the other Party, the Defaulting Party shall not be liable for the breach.
- 8.2 If the Transferee fails to make the full payment of the Equity Transfer Price to the Transferor in accordance with this Agreement, the Transferee shall pay liquidated damages to the Transferor in the amount of 0.01% of the outstanding amount for each day of delay.
- 8.3 Given Cheetah Technology Corporation Limited (hereinafter referred to as the "Cheetah Technology") is the Transferee's affiliate, who intends to acquire 5.8162% equity interest in the Company held by West Origin Orion LP (hereinafter referred to as the "**Cheetah Technology Transfer Agreement**"). If this Agreement and/or the Cheetah Technology Transfer Agreement are terminated due to any reason attributable to the Transferee or Cheetah Technology, the Transferee shall, in addition to bearing liabilities for breach of contract, reinstate Ning Zhang to the Board of the Company within 5 business days after the occurrence of the aforesaid termination and shall pay the Transferee liquidated damages in the amount of CNY 500,000 for failure to do so within such period.
- 8.4 If the Transferor fails to deliver to the Transferee the Termination of Director Appointment Letter and the Resignation Letter (if applicable) with respect to the termination of its director appointment and the relevant documents required for the Company to proceed with the Equity Transfer on the day when the Transferee makes full payment of the Equity Transfer Price to the Transferor, the Transferor shall pay the Transferee liquidated damages in the amount of 0.01% of the Equity Transfer Price already paid by the Transferee for each day of delay, until the date when the default is rectified.

## 9. Tax Liability

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and the Equity Transfer therein. The Parties specifically confirm that, the Transferor shall be solely responsible for any of the taxes filing matters arising from the Equity Transfer.

## 10. Applicable Laws



The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **11. Dispute Resolution**

- 11.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission's then-current arbitration rules, and the arbitration shall be conducted in Beijing.
- 11.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.
- 11.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.
- 11.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## **12. General Terms**

- 12.1 This Agreement is made in Chinese.
- 12.2 Any amendments to this Agreement or its annexes necessitate a written agreement by both Parties before coming into effect.
- 12.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.
- 12.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, both Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.
- 12.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.
- 12.6 This Agreement shall be effective upon the execution of the Parties.
- 12.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, facsimile, or email to the following designated addresses:

**Transferee:**

To: [\*\*\*]

Address: [\*\*\*]

E-mail: [\*\*\*]

**Transferor:**

To: [\*\*\*]

Address: [\*\*\*]

E-mail: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

- 12.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;
  - 12.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;
  - 12.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;
  - 12.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or
  - 12.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
  - 12.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Party.
- 12.8 This Agreement is executed in duplicate, each Party holding one, both of which are considered original and have equal legal effect. A facsimile, scanned, or emailed copy of this Agreement shall be equally valid and enforceable as an original.
- 12.9 The term "Affiliate" hereunder, pertains to, in respect of any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "Affiliate" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 12.10 The terms "Control", "Controlled by" and "Jointly Controlled by" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

[No text below, Signature Page to the Equity Transfer Agreement Follows]

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Beijing Kingsoft Internet Security Software Co., Ltd.**  
(Seal)

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Norma (Shanghai) Investment Consulting Co., Ltd.**  
(Seal)

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Beijing OrionStar Technology Co., Ltd.  
Equity Transfer Agreement**

This Equity Transfer Agreement (hereinafter referred to as the “**Agreement**”), dated November 30, 2023 (hereinafter referred to as the “**Execution Date**”), is signed and entered into by both Parties:

1. Beijing Kingsoft Internet Security Software Co., Ltd., a limited liability company organized in accordance with the laws of the People’s Republic of China (hereinafter referred to as “**China**”, which, for the purpose of this Agreement, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan) with its registered office at [\*\*\*] (hereinafter referred to as the “**Kingsoft Security**” or the “**Transferee**”);
2. Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership), a limited partnership established in accordance with the laws of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Transferor**”);

In this Agreement, the signatories above are collectively referred to as the “**Parties**” and individually as the “**Party**”.

**WHEREAS:**

1. Beijing OrionStar Technology Co., Ltd. stands as a limited liability company under China’s laws, bearing the unified social credit code 91110107MA008AYB44 (hereinafter referred to as the “**Company**”, collectively referred to with its directly and indirectly controlled subsidiaries and branches as the “**Group Companies**”).
2. As of the execution date of this Agreement, the Company’s registered capital amounts to CNY 31,826,676. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

<b>Shareholder</b>	<b>Subscribed Registered Capital (Unit: CNY)</b>	<b>Proportion of Equity</b>
Beijing Kingsoft Security Software Co., Ltd. (“ <b>Kingsoft Security</b> ”)	20,010,910	62.8746%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	24.5399%
Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)	181,800	0.5712%
Future Capital Discovery Fund II, L.P.	45,455	0.1428%
Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership)	971,622	3.0529%
Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership)	31,137	0.0978%
West Origin Orion LP	1,851,091	5.8162%
Norma (Shanghai) Investment	111,825	0.3514%

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Consulting Co., Ltd.		
Duan Liping	660,242	2.0745%
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	0.4787%
<b>Total</b>	<b>31,826,676</b>	<b>=SUM(ABOVE)*100 \\# "0%" 100%</b>

3. The Transferor proposes to transfer, and the Transferee intends to accept, all of the Transferor's registered capital in the Company, in alignment with the terms and conditions of this Agreement.

Hence, after amicable negotiation, the Parties have agreed as follows:

### 1. Equity Transfer

- 1.1 This equity transfer (hereinafter referred to as the "**Equity Transfer**"), subject to the fulfillment or written waiver by the Transferee of all prerequisites specified in Article 3 (hereinafter referred to as the "**Closing Conditions**"), will be completed upon the Transferee's acquisition of the paid-up registered capital held by the Transferor in the Company in the amount of CNY 181,800 (hereinafter referred to as the "**Target Equity**") at the price of CNY 11,101,967 (hereinafter referred to as the "**Equity Transfer Price**").

### 2. Closing

2

- 2.1 The Transferee shall remit the Equity Transfer Price to the Transferor within 10 business days following the fulfillment or written waiver of the Closing Conditions as stipulated in Article 3 ("**Closing**", with the actual closing date as the "**Closing Date**"). The Transferee shall ensure that the Company may submit relevant change of registration/filing applications in connection with the Equity Transfer only after the Closing Date.
- 2.2 From the Closing Date, the Transferee will assume and exercise all shareholder rights and obligations in accordance with applicable laws, regulations, the Sino-foreign equity joint venture agreement (hereinafter referred to as the "**JV Agreement**") and the Company's Articles of Association, as individually agreed upon by the Company and its shareholders.
- 2.3 The Transferor hereby confirms that there are no pending or potential disputes with the Company and/or shareholders of the Company, and from the date on which the Transferee has fully paid the Equity Transfer Price, the Transferor shall have no right to claim against the Company and/or shareholders of the Company with respect to their former equity interests in the Company or their former roles as the shareholders of the Company.
- 2.4 The Parties agree to empower the Company with the responsibility to proceed with the registration and filing procedures in respect of all changes in relation to this Equity Transfer. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures.

### 3. Closing Conditions

- 3.1 The Closing shall be subject to the fulfillment or written waiver by the Transferee of the following conditions, either before or on the Closing Date:

- 3.1.1 All statements and guarantees provided by the Transferor hereunder are true, accurate, complete and not misleading as of the Closing Date;
- 3.1.2 Any undertakings and obligations of Transferor stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;
- 3.1.3 The related parties have executed and delivered this Agreement and other documents relevant to the Equity Transfer (collectively as “**Transaction Documents**”);
- 3.1.4 The Company’s Board of Directors has adopted the resolution on the approval of the following matters:
  - (1) This Equity Transfer;
  - (2) Amendments to the Articles of Association and the JV Agreement;
  - (3) The Company to execute and performance the JV Agreement.
- 3.1.5 All relevant registration/filing documents required to be submitted to the Authority with respect to the Equity Transfer have been duly signed by the relevant Parties;
- 3.1.6 The Transferee’s internal authority has approved this equity transfer.

#### **4. Statements and Guarantees**

- 4.1 The Transferor hereby makes the following statements and guarantees to the Transferee as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:
  - 4.1.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;
  - 4.1.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;
  - 4.1.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;
  - 4.1.4 It lawfully owns the Target Equity, with the Company’s registered capital corresponding to the Target Equity held by the Transferor being fully and validly paid in accordance with the Company’s Articles of Association. There exists no overdue, evaded, or falsely represented capital contribution;
  - 4.1.5 There are no encumbrances such as mortgages, pledges, or other securities over the Target Equity held by the Transferor. There are no communal, sequestration, trusteeship, or other restrictions on rights (including any third-party claims, including those by governmental authorities, or any vote-by-proxy arrangements or voting right trust arrangements). Moreover, there are no nominee holdings, similar arrangements, disputes, or litigations.
- 4.2 The Transferee hereby makes the following statements and guarantees to the Transferor as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:

- 4.2.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;
- 4.2.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;
- 4.2.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;
- 4.2.4 The Transferee shall pay the Equity Transfer Price to the Transferor in a timely manner in accordance with this Agreement at the time agreed by the Parties, and the sources of the funds are legitimate.

## 5. Use of Name, Trade Name

- 5.1 Without the prior written consent of each Party and regardless of whether such other Party then holds, directly or indirectly, any equity interest in the Company, no other Party shall use, publish, reproduce, disseminate or display (public or private) (i) the name or logo of such Party or its affiliates, or (ii) the name, trademark or logo similar to the name or logo of such Party or its affiliates, in any marketing, advertising or promotional material or for any marketing, advertising or promotional purpose.

## 6. Confidentiality

- 6.1 “**Confidential Information**” hereunder refers to information related to the Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Kingsoft Security, along with its affiliates, is entitled to disclose notices about the Agreement’s transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as “**Kingsoft Security Notices**”). The Transferors are prohibited from issuing any news releases (hereinafter referred to as the “**Other News Releases**”) without Kingsoft Security’s explicit prior written approval before the launch of Kingsoft Security Notices. Such releases must not contain information and contents beyond what Kingsoft Security has already disclosed in Kingsoft Security Notices.
- 6.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.
- 6.3 The breach of confidentiality shall not extend to the following scenarios:
  - 6.3.1 Should a Party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party’s reasonable requests; or



6.3.2 Disclosure shall be as mutually consented to in a written agreement by both Parties. A Party may disclose the terms of this Agreement with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## **7. Termination**

7.1 This Agreement may be terminated in writing mutually agreed by the Parties

7.2 Upon the occurrence of any of the following circumstances, the Transferor shall be entitled (but not obligated) to terminate this Agreement unilaterally without liability for breach of contract:

7.2.1 The Closing Conditions as set forth in Articles 3.1.3 to 3.1.6 hereof are not satisfied or waived by the Transferee in writing within 120 days of the date hereof (or the extended period otherwise confirmed by the Transferor and the Transferee in writing) due to reasons attributable to the Transferee;

7.2.2 The Transferee fails to pay the Equity Transfer Price for more than 15 business days.

7.3 If the Closing Conditions set forth herein fail to be fulfilled and fail to be waived by the Transferee within 120 days from the execution date of this Agreement (or within an agreed-upon extended timeframe in writing by the Parties), the Transferee shall have the right to terminate this Agreement by issuing a written notice to the Transferor; however, the termination shall not affect the Transferee's right to request the Transferor to bear liabilities for breach the provisions of this Agreement.

## **8. Liability for Breach of the Agreement**

8.1 After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the "**Defaulting Party**") prove to be untrue, false, incomplete, or misleading, or if there is a failure in fulfilling the agreed-upon obligations, the Defaulting Party is obligated to compensate the other Party for all tangible losses incurred due to this breach.

## **9. Tax Liability**

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and the Equity Transfer therein. The Parties specifically confirm that, the Transferor shall be solely responsible for any of the taxes filing matters arising from the Equity Transfer.

## **10. Applicable Laws**

The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **11. Dispute Resolution**

11.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission's then-current arbitration rules, and the arbitration shall be conducted in Beijing.

11.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.

11.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including

reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.

11.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## **12. General Terms**

12.1 This Agreement is made in Chinese.

12.2 Any amendments to this Agreement or its annexes necessitate a written agreement by both Parties before coming into effect.

12.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.

12.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, both Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.

12.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.

12.6 This Agreement shall be effective upon the execution of the Parties.

12.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, facsimile, or email to the following designated addresses:

**Transferee:**

To: [\*\*\*]

Address: [\*\*\*]

E-mail: [\*\*\*]

**Transferor:**

To: [\*\*\*]

Address: [\*\*\*]

E-mail: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

12.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;

12.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;

- 12.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;
- 12.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or
- 12.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
- 12.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Party.
- 12.8 This Agreement is executed in duplicate, each Party holding one, both of which are considered original and have equal legal effect. A facsimile, scanned, or emailed copy of this Agreement shall be equally valid and enforceable as an original.
- 12.9 If any other agreement is required to be executed with respect to the Equity Transfer according to the scope of governmental authority in order to implement certain specific actions by the governmental authority (including, without limitation, registration with the relevant administration for industry and commerce, filing, etc.), this Agreement shall prevail over such other agreement in full, and such other agreement may only be used to implement certain specific actions to the governmental authority, but shall not be used to establish or evidence the rights and obligations of the relevant parties with respect to the matters set forth in such other agreement.
- 12.10 The term "Affiliate" hereunder, pertains to, in respect of any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "Affiliate" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 12.11 The terms "Control", "Controlled by" and "Jointly Controlled by" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

[No text below, Signature Page to the Equity Transfer Agreement Follows]

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Beijing Kingsoft Internet Security Software Co., Ltd.**  
(Seal)

/s/ Sheng Fu

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)**  
(Seal)

/s/ Zhang Quanling\_

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Beijing OrionStar Technology Co., Ltd.  
Equity Transfer Agreement**

This Equity Transfer Agreement (hereinafter referred to as the “**Agreement**”), dated November 30, 2023 (hereinafter referred to as the “**Execution Date**”), is signed and entered into by both Parties:

1. Cheetah Technology Corporation Limited, a limited liability company organized in accordance with the laws of Hong Kong Special Administrative Region, with its registered office at [\*\*\*] (hereinafter referred to as the “**Cheetah Technology**” or the “**Transferee**”);
2. West Origin Orion LP, a limited partnership established in accordance with the laws of the Cayman Islands, with its registered office at [\*\*\*] (hereinafter referred to as the “**Transferor**”);

In this Agreement, the signatories above are collectively referred to as the “**Parties**” and individually as the “**Party**”.

**WHEREAS:**

1. Beijing OrionStar Technology Co., Ltd. stands as a limited liability company under China’s laws, bearing the unified social credit code 91110107MA008AYB44 (hereinafter referred to as the “**Company**”, collectively referred to with its directly and indirectly controlled subsidiaries and branches as the “**Group Companies**”).
2. As of the execution date of this Agreement, the Company’s registered capital amounts to CNY 31,826,676. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Beijing Kingsoft Security Software Co., Ltd. (“ <b>Kingsoft Security</b> ”)	20,010,910	62.8746%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	24.5399%
Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)	181,800	0.5712%
Future Capital Discovery Fund II, L.P.	45,455	0.1428%
Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership)	971,622	3.0529%
Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership)	31,137	0.0978%
West Origin Orion LP	1,851,091	5.8162%
Norma (Shanghai) Investment Consulting Co., Ltd.	111,825	0.3514%
Duan Liping	660,242	2.0745%

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	0.4787%
<b>Total</b>	<b>31,826,676</b>	<b>=SUM(ABOVE)*100 \\# "0%" 100%</b>

3. The Transferor proposes to transfer, and the Transferee intends to accept, all of the Transferor's registered capital in the Company, in alignment with the terms and conditions of this Agreement.

4. [\*\*\*]

Hence, after amicable negotiation, the Parties have agreed as follows:

### 1. Equity Transfer

1.1 This equity transfer (hereinafter referred to as the "**Equity Transfer**"), subject to the fulfillment or written waiver by the Transferee of all prerequisites specified in Article 3 (hereinafter referred to as the "**Closing Conditions**"), will be completed upon the Transferee's acquisition of the paid-up registered capital held by the Transferor in the Company in the amount of CNY 1,851,091 (hereinafter referred to as the "**Target Equity**") at the price of USD 23,575,783 (hereinafter referred to as the "**Equity Transfer Price**").

1.2 [\*\*\*]

### 2. Closing

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2.1 The date on which all conditions precedent to the Closing as set forth in Article 3 hereof are fulfilled or waived by the Transferee in writing shall be the "Closing Date".

2.2 From the Closing Date, the Transferee will assume and exercise all shareholder rights and obligations in accordance with applicable laws, regulations, the Sino-foreign equity joint venture agreement (hereinafter referred to as the "**JV Agreement**") and the Company's Articles of Association, as individually agreed upon by the Company and its shareholders.

2.3 The Transferor hereby confirms that there are no pending or potential disputes with the Company and/or shareholders of the Company, and from the date on which the Transferee has fully paid the Equity Transfer Price, the Transferor shall have no right to claim against the Company and/or shareholders of the Company with respect to their former equity interests in the Company or their former roles as the shareholders of the Company.

2.4 The Parties agree to empower the Company with the responsibility to proceed with the registration and filing procedures in respect of all changes in relation to this Equity Transfer. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures.

### 3. Closing Conditions

3.1 The Closing shall be subject to the fulfillment or written waiver by the Transferee of the following conditions, either before or on the Closing Date:

3.1.1 All statements and guarantees provided by the Parties hereunder are true, accurate, complete and not misleading as of the Closing Date;

- 3.1.2 Any undertakings and obligations of Transferor stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;
- 3.1.3 By the Closing Date, there is no event or circumstance that will or may have any material adverse effect on the legitimate existence, production management, business operation, financial condition and business reputation of the Group Companies;
- 3.1.4 The related parties have executed and delivered this Agreement and other documents relevant to the Equity Transfer (collectively as “**Transaction Documents**”), the Transferee shall propose the Transaction Documents to be executed by the Transferor in writing once for confirmation by the Parties;
- 3.1.5 The Company’s Board of Directors has adopted the resolution on the approval of the following matters:
  - (1) This Equity Transfer;
  - (2) Amendments to the Articles of Association.
- 3.1.6 West Origin Orion LP and Norma (Shanghai) Investment Consulting Co., Ltd. and the director jointly appointed by them, Ning Zhang, have executed the Termination of Director Appointment Letter and the Resignation Letter (if applicable);
- 3.1.7 The Transferee’s internal authority has approved this equity transfer.

#### **4. Statements and Guarantees**

- 4.1 The Transferor hereby makes the following statements and guarantees to the Transferee as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:
  - 4.1.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;
  - 4.1.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;
  - 4.1.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;
  - 4.1.4 It lawfully owns the Target Equity, with the Company’s registered capital corresponding to the Target Equity held by the Transferor being fully and validly paid in accordance with the Company’s Articles of Association. There exists no overdue, evaded, or falsely represented capital contribution;
  - 4.1.5 There are no encumbrances such as mortgages, pledges, or other securities over the Target Equity held by the Transferor. There are no communal, sequestration, trusteeship, or other restrictions on rights (including any third-party claims, including those by governmental authorities, or any vote-by-proxy arrangements or voting right trust arrangements). Moreover, there are no nominee holdings, similar arrangements, disputes, or litigations.



4.2 The Transferee hereby makes the following statements and guarantees to the Transferor as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:

- 4.2.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;
- 4.2.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;
- 4.2.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;

## 5. Use of Name, Trade Name

5.1 Without the prior written consent of each Party and regardless of whether such other Party then holds, directly or indirectly, any equity interest in the Company, no other Party shall use, publish, reproduce, disseminate or display (public or private) (i) the name or logo of such Party or its affiliates, or (ii) the name, trademark or logo similar to the name or logo of such Party or its affiliates, in any marketing, advertising or promotional material or for any marketing, advertising or promotional purpose.

## 6. Confidentiality

6.1 “**Confidential Information**” hereunder refers to information related to the Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Cheetah Technology, along with its affiliates, is entitled to disclose notices about the Agreement’s transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as “**Cheetah Technology Notices**”). The Transferor is prohibited from issuing any news releases (hereinafter referred to as the “**Other News Releases**”) without Cheetah Technology’s explicit prior written approval before the launch of Cheetah Technology Notices. Such releases must not contain information and contents beyond what Cheetah Technology has already disclosed in Cheetah Technology Notices.

6.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.

6.3 The breach of confidentiality shall not extend to the following scenarios:

- 6.3.1 Should a Party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party’s reasonable requests; or

- 6.3.2 Disclosure shall be as mutually consented to in a written agreement by both Parties. A Party may disclose the terms of this Agreement with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## **7. Termination**

- 7.1 If the Closing Conditions set forth herein fail to be fulfilled and fail to be waived by the Transferee within 120 days from the execution date of this Agreement (or within an agreed-upon extended timeframe in writing by the Parties), the Transferee shall have the right to terminate this Agreement by issuing a written notice to the Transferor; however, the termination shall not affect the Transferee's right to request the Transferor to bear liabilities for breach the provisions of this Agreement. The Transferee shall not have the right to terminate this Agreement, and the Transferor shall have the right to request the Transferee to bear liabilities for breach should the Closing Conditions fail to be satisfied for reasons attributable to the Transferee.

## **8. Liability for Breach of the Agreement**

- 8.1 After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the “**Defaulting Party**”) prove to be untrue, false, incomplete, or misleading, or if there is a failure in fulfilling the agreed-upon obligations, the Defaulting Party is obligated to compensate the other Party for all tangible losses incurred due to this breach. If the breach is attributable to reasons attributable to the other Party, the Defaulting Party shall not be liable for the breach.
- 8.2 If the Transferee fails to make the full payment of the Equity Transfer Price to the Transferor in accordance with this Agreement, the Transferee shall pay liquidated damages to the Transferor in the amount of 0.01% of the outstanding amount for each day of delay.
- 8.3 If the Transferor fails to deliver to the Transferee the Termination of Director Appointment Letter and the Resignation Letter (if applicable) with respect to the termination of its director appointment and the relevant documents required for the Company to proceed with the Equity Transfer on the day when the Transferee makes full payment of the Equity Transfer Price to the Transferor, the Transferor shall pay the Transferee liquidated damages in the amount of 0.01% of the Equity Transfer Price already paid by the Transferee for each day of delay, until the date when the default is rectified.

## **9. Tax Liability**

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and the Equity Transfer therein. The Parties specifically confirm that, the Transferor shall be solely responsible for any of the taxes filing matters arising from the Equity Transfer.

## **10. Applicable Laws**

The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **11. Dispute Resolution**

- 11.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission's then-current arbitration rules, and the arbitration shall be conducted in Beijing.

- 11.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.
- 11.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.
- 11.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## **12. General Terms**

- 12.1 This Agreement is made in Chinese.
- 12.2 Any amendments to this Agreement or its annexes necessitate a written agreement by both Parties before coming into effect.
- 12.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.
- 12.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, both Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.
- 12.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.
- 12.6 This Agreement shall be effective upon the execution of the Parties.
- 12.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, facsimile, or email to the following designated addresses:

**Transferee:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

**Transferor:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

- 12.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or

at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;

- 12.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;
  - 12.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;
  - 12.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or
  - 12.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
  - 12.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Party.
- 12.8 This Agreement is executed in duplicate, each Party holding one, both of which are considered original and have equal legal effect. A facsimile, scanned, or emailed copy of this Agreement shall be equally valid and enforceable as an original.
- 12.9 The term "Affiliate" hereunder, pertains to, in respect of any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "Affiliate" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 12.10 The terms "Control", "Controlled by" and "Jointly Controlled by" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

[No text below, Signature Page to the Equity Transfer Agreement Follows]

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Cheetah Technology Corporation Limited**

/s/ Sheng Fu  
Name: Sheng Fu  
Title: Director

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**West Origin Orion LP**  
(Seal)

/s/ Ning Zhang  
Name: Ning Zhang  
Title: Authorized Representative

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Beijing OrionStar Technology Co., Ltd.  
Equity Transfer Agreement**

This Equity Transfer Agreement (hereinafter referred to as the “**Agreement**”), dated November 30, 2023 (hereinafter referred to as the “**Execution Date**”), is signed and entered into by both Parties:

1. Cheetah Technology Corporation Limited, a limited liability company organized in accordance with the laws of Hong Kong Special Administrative Region, with its registered office at [\*\*\*] (hereinafter referred to as the “**Cheetah Technology**” or the “**Transferee**”);
2. Future Capital Discovery Fund II, L.P., a limited partnership established in accordance with the laws of the Cayman Islands, with its registered office at [\*\*\*] (hereinafter referred to as the “**Transferor**”);

In this Agreement, the signatories above are collectively referred to as the “**Parties**” and individually as the “**Party**”.

**WHEREAS:**

1. Beijing OrionStar Technology Co., Ltd. stands as a limited liability company under China’s laws, bearing the unified social credit code 91110107MA008AYB44 (hereinafter referred to as the “**Company**”, collectively referred to with its directly and indirectly controlled subsidiaries and branches as the “**Group Companies**”).
2. As of the execution date of this Agreement, the Company’s registered capital amounts to CNY 31,826,676. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Beijing Kingsoft Security Software Co., Ltd. (“ <b>Kingsoft Security</b> ”)	20,010,910	62.8746%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	24.5399%
Tianjin Purple Cow Startups Assets Management Partnership (Limited Partnership)	181,800	0.5712%
Future Capital Discovery Fund II, L.P.	45,455	0.1428%
Beijing Kangyuan Tongxin Management Consulting Center (Limited Partnership)	971,622	3.0529%
Beijing Kangzheng Tongxin Management Consulting Center (Limited Partnership)	31,137	0.0978%
West Origin Orion LP	1,851,091	5.8162%
Norma (Shanghai) Investment Consulting Co., Ltd.	111,825	0.3514%
Duan Liping	660,242	2.0745%

Shareholder	Subscribed Registered Capital (Unit: CNY)	Proportion of Equity
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	0.4787%
<b>Total</b>	<b>31,826,676</b>	<b>=SUM(ABOVE)*100 \\# "0%" 100%</b>

3. The Transferor proposes to transfer, and the Transferee intends to accept, all of the Transferor's registered capital in the Company, in alignment with the terms and conditions of this Agreement.

Hence, after amicable negotiation, the Parties have agreed as follows:

### 1. Equity Transfer

- 1.1 This equity transfer (hereinafter referred to as the "**Equity Transfer**"), subject to the fulfillment or written waiver by the Transferee of all prerequisites specified in Article 3 (hereinafter referred to as the "**Closing Conditions**"), will be completed upon the Transferee's acquisition of the paid-up registered capital held by the Transferor in the Company in the amount of CNY 45,455 (hereinafter referred to as the "**Target Equity**") at the price of USD 357,869 (hereinafter referred to as the "**Equity Transfer Price**").

### 2. Closing

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- 2.1 The Transferee shall remit the Equity Transfer Price to the Transferor within 10 business days following the fulfillment or written waiver of the Closing Conditions as stipulated in Article 3 ("**Closing**", with the actual closing date as the "**Closing Date**").
- 2.2 From the Closing Date, the Transferee will assume and exercise all shareholder rights and obligations in accordance with applicable laws, regulations, the Sino-foreign equity joint venture agreement (hereinafter referred to as the "**JV Agreement**") and the Company's Articles of Association, as individually agreed upon by the Company and its shareholders.
- 2.3 The Transferor hereby confirms that there are no pending or potential disputes with the Company and/or shareholders of the Company, and from the date on which the Transferee has fully paid the Equity Transfer Price, the Transferor shall have no right to claim against the Company and/or shareholders of the Company with respect to their former equity interests in the Company or their former roles as the shareholders of the Company.
- 2.4 The Parties agree to empower the Company with the responsibility to proceed with the registration and filing procedures in respect of all changes in relation to this Equity Transfer. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures.

### 3. Closing Conditions

- 3.1 The Closing shall be subject to the fulfillment or written waiver by the Transferee of the following conditions, either before or on the Closing Date:
- 3.1.1 All statements and guarantees provided by the Transferor hereunder are true, accurate, complete and not misleading as of the Closing Date;
- 3.1.2 Any undertakings and obligations of Transferor stipulated under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;



- 3.1.3 By the Closing Date, there is no event or circumstance that will or may have any material adverse effect on the legitimate existence, production management, business operation, financial condition and business reputation of the Group Companies;
- 3.1.4 The related parties have executed and delivered this Agreement and other documents relevant to the Equity Transfer (collectively as “**Transaction Documents**”);
- 3.1.5 The Company’s Board of Directors has adopted the resolution on the approval of the following matters:
  - (1) This Equity Transfer;
  - (2) Amendments to the Articles of Association and the JV Agreement;
  - (3) The Company to execute and performance the JV Agreement.
- 3.1.6 The Company has applied for the business-related registration/the change of registration for the record-filing matters/filing with respect to the Equity Transfer to indicate the transferee’s acquisition of the Target Equity as per this Agreement;
- 3.1.7 The Transferee’s internal authority has approved this equity transfer.

#### **4. Statements and Guarantees**

- 4.1 The Transferor hereby makes the following statements and guarantees to the Transferee as follows, and the statements and guarantees are true, accurate, complete and not misleading as of the Execution Date of this Agreement:
  - 4.1.1 It is a legal entity duly established and validly existing under the laws of the jurisdiction of its incorporation, and may act independently as a subject of litigation;
  - 4.1.2 It possesses all necessary capabilities, powers and authorizations to execute and perform this Agreement and has obtained all internal, third party and/or any governmental authority consents, approvals, and/or filings (if applicable) necessary for its execution and performance of this Agreement, the Agreement shall constitute its binding legal obligation;
  - 4.1.3 Its execution in and fulfillment of the Transaction Documents will not result in (1) a violation of its constitutive documents, articles of association or other binding constitutional documents; (2) a breach of any contracts, agreements, or other legal document binding on it; nor (3) will it contravene any laws, regulations, departmental rule, normative documents, orders, or decisions of any administrative authorities, nor the ruling, award, or judgment of any arbitration institutions or judicial authorities;
  - 4.1.4 It lawfully owns the Target Equity, with the Company’s registered capital corresponding to the Target Equity held by the Transferor being fully and validly paid in accordance with the Company’s Articles of Association. There exists no overdue, evaded, or falsely represented capital contribution;
  - 4.1.5 There are no encumbrances such as mortgages, pledges, or other securities over the Target Equity held by the Transferor. There are no communal, sequestration, trusteeship, or other restrictions on rights (including any third-party claims, including those by governmental authorities, or any vote-by-proxy arrangements or voting right trust arrangements). Moreover, there are no nominee holdings, similar arrangements, disputes, or litigations.

#### **5. Use of Name, Trade Name**

- 5.1 Without the prior written consent of each Party and regardless of whether such other Party then holds, directly or indirectly, any equity interest in the Company, no other Party shall use, publish, reproduce, disseminate or display (public or private) (i) the name or logo of such Party or its affiliates, or (ii) the

name, trademark or logo similar to the name or logo of such Party or its affiliates, in any marketing, advertising or promotional material or for any marketing, advertising or promotional purpose.

## 6. Confidentiality

- 6.1 “**Confidential Information**” hereunder refers to information related to the Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Cheetah Technology, along with its affiliates, is entitled to disclose notices about the Agreement’s transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as “**Cheetah Technology Notices**”). The Transferor is prohibited from issuing any news releases (hereinafter referred to as the “**Other News Releases**”) without Cheetah Technology’s explicit prior written approval before the launch of Cheetah Technology Notices. Such releases must not contain information and contents beyond what Cheetah Technology has already disclosed in Cheetah Technology Notices.
- 6.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.
- 6.3 The breach of confidentiality shall not extend to the following scenarios:
- 6.3.1 Should a Party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party’s reasonable requests; or
- 6.3.2 Disclosure shall be as mutually consented to in a written agreement by both Parties. A Party may disclose the terms of this Agreement with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## 7. Termination

- 7.1 If the Closing Conditions set forth herein fail to be fulfilled and fail to be waived by the Transferee within 120 days from the execution date of this Agreement (or within an agreed-upon extended timeframe in writing by the Parties), the Transferee shall have the right to terminate this Agreement by issuing a written notice to the Transferor; however, the termination shall not affect the Transferee’s right to request the Transferor to bear liabilities for breach the provisions of this Agreement.

## 8. Liability for Breach of the Agreement

- 8.1 After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the “**Defaulting Party**”) prove to be untrue, false, incomplete, or misleading, or if there is a failure in fulfilling the agreed-upon obligations, the Defaulting Party is obligated to compensate the other Party for all tangible losses incurred due to this breach.

## 9. Tax Liability

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and the Equity Transfer therein. The Parties specifically confirm that, the Transferor shall be solely responsible for any of the taxes filing matters arising from the Equity Transfer.

## **10. Applicable Laws**

The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **11. Dispute Resolution**

11.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission's then-current arbitration rules, and the arbitration shall be conducted in Beijing.

11.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.

11.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.

11.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## **12. General Terms**

12.1 This Agreement is made in Chinese.

12.2 Any amendments to this Agreement or its annexes necessitate a written agreement by both Parties before coming into effect.

12.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.

12.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, both Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.

12.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.

12.6 This Agreement shall be effective upon the execution of the Parties.

12.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, facsimile, or email to the following designated addresses:

**Transferee:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

**Transferor:**

To: [\*\*\*]  
Address: [\*\*\*]  
E-mail: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

- 12.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;
  - 12.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;
  - 12.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;
  - 12.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or
  - 12.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
  - 12.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Party.
- 12.8 This Agreement is executed in duplicate, each Party holding one, both of which are considered original and have equal legal effect. A facsimile, scanned, or emailed copy of this Agreement shall be equally valid and enforceable as an original.
- 12.9 The term "Affiliate" hereunder, pertains to, in respect of any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "Affiliate" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 12.10 The terms "Control", "Controlled by" and "Jointly Controlled by" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Cheetah Technology Corporation Limited**

/s/ Sheng Fu  
Name: Sheng Fu  
Title: Director

IN WITNESS WHEREOF, this Agreement is signed by both Parties on the date indicated at the beginning of this document.

**Future Capital Discovery Fund II, L.P.**

          /s/ Mingming Huang

Name:

Title: Authorized Representative

**THE SYMBOL “[\*\*\*]” DENOTES PLACES WHERE CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THE EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL, AND (ii) IS THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

**Gongqingcheng Orion Industrial Investment Center  
(Limited Partnership)**

**Cheetah Technology Corporation Limited**

**And**

**Beijing Kingsoft Internet Security Software Co., Ltd.**

**On**

**Share Purchase Agreement in respect of Beijing OrionStar  
Technology Co., Ltd.**

**January 9, 2024**

## Beijing OrionStar Technology Co., Ltd. Share Purchase Agreement

This Share Purchase Agreement (hereinafter referred to as “**Agreement**”) is made and entered into on January 9, 2024 (hereinafter referred to as the “**Execution Date**”) by and between:

1. Beijing OrionStar Technology Co., Ltd., a limited liability company established in accordance with the laws of the People’s Republic of China (hereinafter referred to as “**China**”, which, for the purpose of this Agreement, excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan), with its registered office at [\*\*\*] (hereinafter referred to as the “**Company**”, which is collectively referred to as the “**Group Companies**” with other subsidiaries and branches directly and indirectly controlled by the Company);
2. Beijing Kingsoft Internet Security Software Co., Ltd., a limited liability company established in accordance with the laws of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Kingsoft Security**” or the “**Controlling Shareholder**”);
3. Cheetah Technology Corporation Limited, a company established and validly existing in accordance with the laws of Hong Kong (hereinafter referred to as the “**Cheetah Technology**”);
4. Gongqingcheng Orion Industrial Investment Center (Limited Partnership), a limited partnership established in accordance with the laws of China, with its registered office at [\*\*\*] (hereinafter referred to as the “**Fund**”, together with Kingsoft Security and Cheetah Technology, individually or collectively, as the “**Investors**”).

For the purposes of this Agreement, the above signatories are collectively referred to as the “**Parties**” and individually as a “**Party**”.

### WHEREAS:

1. The Company is a limited liability company established in accordance with the laws of China, with a unified social credit code of 91110107MA008AYB44, and principally engages in the business of R&D, sales and services of hardware and software systems of artificial intelligence such as intelligent voice and vision, and hardware and software of intelligent robotics (hereinafter referred to as the “**Principal Business**”).
2. As of the Execution Date of this Agreement, the Company’s subscribed registered capital is CNY 31,826,676 and paid-in registered capital is CNY 26,016,445. The registered capital subscribed by each shareholder of the Company and the proportion of equity held in the Company are as follows:

Shareholder Name	Subscribed Capital Contribution Unit: CNY	Paid-in Capital	Proportion of Equity
Beijing Kingsoft Internet Security Software Co., Ltd.	21,307,294	21,307,294	66.9479%
Cheetah Technology Corporation Limited	1,896,546	1,896,546	5.9590%



Shareholder Name	Subscribed Capital Contribution Unit: CNY	Paid-in Capital	Proportion of Equity
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	2,000,000	24.5399%
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	152,363	0.4787%
Duan Liping	660,242	660,242	2.0745%
<b>Total</b>	<b>31,826,676</b>	<b>26,016,445</b>	<b>100%</b>

3. The Parties agree to increase the capital of the Company by the Fund and Cheetah Technology in accordance with the terms and conditions of this Agreement. The capital increase includes: the Fund will subscribe for the new registered capital of the Company of CNY 1,331,048 at a premium of CNY 150,000,000 and Cheetah Technology will subscribe for the new registered capital of the Company of CNY 1,064,838 at a premium of USD 16,728,702;
4. Concurrently, the Company, Kingsoft Security and other related Parties entered into a Loan Agreement in 2021 (collectively, together with its amendments, supplements, renewals and modification from time to time, the “**Loan Agreement**”). Pursuant to the Loan Agreement, Kingsoft Security acknowledges to convert its claim on the Company in the aggregate amount of CNY 118,770,411 in principal and interest to subscribe for the new registered capital proposed by the Company in the amount of CNY 1,458,021 at a premium, in accordance with the terms and conditions set out in the Loan Agreement.

The Parties, after friendly consultation, hereby reach the following agreement:

#### 1. This Capital Increase

- 1.1 Subject to all the conditions precedent set out in Article 3 hereof (hereinafter referred to as the “**Closing Conditions**”) being fulfilled or waived, the Company shall increase its registered capital from CNY 31,826,676 to CNY 35,680,583, of which, CNY 1,331,048 shall be subscribed by the Fund in accordance with Article 2.1 hereof (hereinafter referred to as the “**capital increase by the Fund**”), CNY 1,064,838 shall be subscribed by Cheetah Technology in accordance with Article 2.1 hereof (hereinafter referred to as the “**capital increase by Cheetah Technology**”), and CNY 1,458,021 shall be subscribed by Kingsoft Security in accordance with Article 2.2 hereof (hereinafter referred to as the “**capital increase by Kingsoft Security**”), and, together with capital increase by the Fund and capital increase by Cheetah Technology, “**this capital increase**”).
- 1.2 The Parties acknowledge that in respect of the capital increase by the Fund and capital increase by Cheetah Technology, this capital increase is conducted based on the Company’s pre-investment valuation of USD 500 million, with per share of registered capital corresponding to USD 15.71 (equivalent to CNY 112.69); and in respect of the capital increase by Kingsoft Security, the conversion rate is that per share of registered capital corresponds to CNY 81.46, as agreed in the Loan Agreement. Upon completion of this capital increase, the Company’s registered capital shall be CNY 35,680,583. The capital contribution by each shareholder of the Company and the proportion of equity held in the Company are as follows:

Shareholder Name	Subscribed Capital Contribution Unit: CNY	Paid-in Capital Unit: CNY	Proportion of Equity
Beijing Kingsoft Internet Security Software Co., Ltd.	22,765,315	22,765,315	63.8031%
Cheetah Technology Corporation Limited	2,961,384	2,961,384	8.2997%
Beijing Orion Growth Technology Center (Limited Partnership)	7,810,231	2,000,000	21.8893%
Nanchang Xinke Zhuxiang Venture Capital Center (Limited Partnership)	152,363	152,363	0.4270%
Duan Liping	660,242	660,242	1.8504%
Gongqingcheng Orion Industrial Investment Center (Limited Partnership)	1,331,048	1,331,048	3.7305%
<b>Total</b>	<b>35,680,583</b>		<b>100%</b>

## 2. Payment of Investment

As the consideration for the subscription of new registered capital in accordance with Article 1, Investors shall subscribe for the registered capital and pay the subscription amount for the capital increase in accordance with the following agreement respectively.

2.1 the Fund and Cheetah Technology shall pay the subscription amount for the capital increase to the Company as per the following provisions:

(1) the Fund shall subscribe for the new registered capital of CNY 1,331,048 with the investment amount of CNY 150,000,000, of which CNY 1,331,048 shall be included in the registered capital of the Company as its contribution to the new registered capital, and the remaining amount shall be included in the capital reserves of the Company.

(2) Cheetah Technology shall subscribe for the new registered capital of CNY 1,064,838 with the investment amount of USD 16,728,702, of which CNY 1,064,838 shall be included in the paid-in registered capital of the Company as its contribution to the new registered capital, and the remaining amount shall be included in the capital reserves of the Company.

For the avoidance of doubt, the capital increase by the Fund and the capital increase by Cheetah Technology shall be independent of each other, and shall not be contingent upon the completion of capital increase of the other party. Within 10 business days from the date on which the Closing Conditions set forth in Article 3 hereof have all been fulfilled or waived by the corresponding Investor (hereinafter referred to as the “Closing Date”), the Fund or Cheetah Technology shall pay its corresponding investment amount to the Company.

2.2 Kingsoft Security shall pay the subscription amount for the capital increase to the Company as per the following provisions:

(1) Kingsoft Security’s claim on the Company in the aggregate amount of CNY 118,770,411 in principal and interest shall be used to subscribe for the new registered capital of CNY 1,458,021, of which CNY 1,458,021 shall be included in the paid-in registered capital of the Company as its contribution to the new registered capital, and the remaining amount shall be included in the capital reserves of the Company.

(2) Kingsoft Security's subscription amount for the capital increase shall be automatically deemed to be fully paid on the Closing Date, and its debtor-creditor relationship under the Loan Agreement shall be ceased at the same time.

- 2.3 For the purpose of this Agreement, the exchange rate between CNY and USD shall be calculated based on the Central People's Bank's average exchange rate for August 2023, that is, USD 1 is equal to CNY 7.1733. In the event that Investors intend to adjust their amounts in CNY or USD to be paid in the course of performance, it is required to communicate and agree with the Company in advance.

### 3. Closing Conditions

- 3.1 Each of the following Closing Conditions shall be fulfilled or waived by the corresponding Investor, either before or on the Closing Date:

3.1.1 All the statements and guarantees made by the Guarantors (as defined below, the same hereinafter) under this Agreement are true, accurate, complete and not misleading as of the Closing Date;

3.1.2 The Guarantors' undertakings and obligations under this Agreement, which are to be adhered to or performed by the Closing Date, have been fulfilled;

3.1.3 During the period from the Execution Date of this Agreement to the Closing Date, there is no event or circumstance that will or may have any material adverse effect on the legitimate existence, production management, business operation, financial condition and business reputation of the Group Companies (hereinafter referred to as the "**material adverse change**");

3.1.4 The Parties to this Agreement and other relevant parties have executed and delivered this Agreement;

3.1.5 The Board of Directors of the Group Companies has adopted the resolution on the approval of the following matters:

- (1) this capital increase; and
- (2) the Articles of Association.

3.1.6 The Investors have completed the due diligence in respect of the legality, finance and business of the Group Companies;

3.1.7 The Investors' investment decision-making committee or other similar organization has approved this transaction.

### 4. Statements and Guarantees

- 4.1 The Group Companies and the Controlling Shareholder (collectively, the "**Guarantors**"), as Parties to this Agreement, hereby make the statements and guarantees set out in Annex I hereto to the Investors "hereinafter referred to as the "**statements and guarantees**").

4.2 The Investors hereby, severally and not jointly, make the following statements and guarantees in respect of themselves, that as at the Execution Date of this Agreement, the statements and guarantees in question are true, accurate, complete and not misleading:

4.2.1 The Investors are legal entities lawfully organized and validly existing under the laws of the place where they are organized and can act independently as a Party to litigation;

4.2.2 The Investors have all the capacity, power and authority necessary to sign and perform the Transaction Documents and the Transaction Documents constitute legal obligations binding on them;

4.2.3 The Investors' signing and performance of the Transaction Documents will not:

- (1) violate their founding documents, Articles of Association or other constitutional document binding on them;
- (2) make them in breach of the contract, agreement or other legal document binding on them; or
- (3) make them violate any law, regulation, departmental rule, normative document, order or decision of any administrative authorities, or ruling, award or judgment of any arbitration institutions or judicial authorities.

## **5. Undertakings of the Guarantors**

### 5.1 Approval and Registration

The Parties agree to empower the Company with the responsibilities to proceed with the registration and filing procedures in respect of all changes in relation to this capital increase. For this purpose, the Parties shall provide the Company with the necessary cooperation and assistance, including but not limited to signing and submitting the necessary documents, providing all necessary materials, and taking other necessary actions and measures.

### 5.2 The Purpose of Investment Amount

The Guarantors undertake that, unless otherwise agreed by the Investors, the investment amount of the Investors will be spent exclusively on the operation and development of the principal business of the Group Companies.

### 5.3 Compliance

The Guarantors shall use all commercially reasonable efforts to ensure that, each Group Company's acts in material respects will be in compliance with all applicable laws, each Group Company obtains the licenses and permits necessary for its ongoing and planned business as per the applicable laws and the requirements of competent regulators, and any and all material licenses and permits of the Group Companies are legitimate, valid and in full force and effect.

### 5.4 Protection of Intellectual Property and Proprietary Rights

The Guarantees shall use commercially reasonable efforts and take necessary measures to protect the intellectual property and other proprietary rights of the Group Companies, including but not limited to filing applications for registration of graphic and word trademarks with major influence for the business of the Group Companies and filing timely applications for registration of copyrights of software developed by the Group Companies. Group Companies shall sign confidentiality agreements and intellectual property protection agreements with each employee and advisor, requiring such person to protect confidential information, intellectual property rights and trade secrets of Group companies. In respect of the trademarks rejected or opposed for registration due to the similarity to prior trademarks, the Group Companies shall cease the use of such trademarks or logos with the possibility of infringement, or shall use commercially reasonable efforts to purchase or obtain the authorization to use such prior trademarks with the similarity after ceasing the use of such trademarks or logos with the possibility of infringement in business.

## 6. Use of Investors' Name and Trade Name

- 6.1 Without the Investors' prior written consent and regardless of the Company's equity held, directly or indirectly, by the Investors at that time, the Company, its any shareholders (other than the Investors), and the Group Companies shall not, for any marketing, advertising, promotional or other purposes, use, publicize, reproduce, distribute and display (publicly or privately): (i) any names or logos of the Investors or their affiliates, or (ii) any names, trademarks, or logos that are similar to the names or logos of Investors or their affiliates, for any marketing, advertising, or promotional materials.
- 6.2 Group Companies shall not publish information or news related to this capital increase without the prior consent of the Investors. Meanwhile, the Group Companies shall ensure that any publishing of information or news in relation to the Investors' investment amount or transaction shall be with the Investors' consent.

## 7. Confidentiality

- 7.1 "**Confidential Information**" hereunder refers to information related to this Agreement and its arrangements, which is not to be shared with any third parties unless in compliance with stipulated terms. This excludes information already publicly known not due to a violation of this Article. Despite the above, Kingsoft Security, along with its affiliates, is entitled to disclose notices about the Agreement's transactions as per legal or regulatory obligations, including stock exchange rules (hereinafter referred to as "**Kingsoft Security Notices**"). Other Parties are prohibited from issuing any news releases (hereinafter referred to as the "**Other News Releases**") without Kingsoft Security's explicit prior written approval before the launch of Kingsoft Security Notices. Such releases must not contain information and contents beyond what Kingsoft Security has already disclosed in Kingsoft Security Notices.
- 7.2 The Parties agree not to disclose Confidential Information without prior written consent of each Party and will strive to ensure their directors, senior officers, managers, partners, members, employees, legal, financial and professional advisors and correspondent banks do not disclose any Confidential Information to third parties.
- 7.3 The breach of confidentiality shall not extend to the following scenarios:

- 7.3.1 Should a party be required to disclose Confidential Information due to demands from a government, judicial authority, or securities regulator, such disclosure shall be limited strictly to the required extent of the request. The disclosing party is obligated to exert every reasonable effort to secure a protective order, seek confidential handling or find other proper remedies. Under these conditions, only the portion of the Confidential Information mandated by law shall be disclosed by the disclosing party. Furthermore, the disclosing party shall undertake reasonable measures to maintain the confidentiality of the disclosed information, as per the non-disclosing party's reasonable requests; or
- 7.3.2 Disclosure shall be as mutually consented to in a written agreement by the Parties. A Party may disclose the financing terms with its existing and potential bona fide investors, employees, investment banks, borrowers, accountants, and lawyers, assuming these individuals or entities are bound by the proper and corresponding confidentiality obligations.

## **8. Termination**

- 8.1 If the Company fails to fulfill the Closing Conditions within 120 days from the Execution Date of this Agreement (or such extended period as the Company and the Investors may otherwise confirm in writing), the Company or the Investors shall have the right to terminate this Agreement by written notice to the other Parties; provided that, with respect to any Investors, such Investors shall only have the right to terminate this Agreement between Investors and the other Parties.

### **8.2 Validity of Termination**

In the event that this Agreement is terminated as per this Article 8, unless otherwise agreed in writing by the relevant Parties, the rights and obligations of the Parties hereunder shall immediately come to an end, and the Parties agree to return to the condition at the time of signing of this Agreement (including the shareholding structure of the Company as at the time of signing of this Agreement), including but not limited to the condition of withdrawal of the new registered capital subscribed by Investors as per this Agreement by way of capital decrease or otherwise within a reasonable period in the event that the industrial and commercial registration procedures for this capital increase of the Company have already been completed.

## **9. Liability for Breach of the Agreement**

After execution of this Agreement, in the event any statements and guarantees made by either Party (hereinafter referred to as the "**Defaulting Party**") prove to be untrue, false or misleading, or if there is a failure in fulfilling the agreed-upon obligations, and the Defaulting Party fails to rectify the same within 10 days from the date of receipt of a written notice from any other Party, the Defaulting Party, subject to the provisions of Article 10 hereof, is obligated to compensate the other Party for all tangible losses incurred due to this breach.

## **10. Limitation of Liability**

Regardless any other agreement to the contrary in this Agreement, the Parties agree that, unless acted with fraud, intention or gross negligence, the Guarantors' liability to the Investors under this Agreement or other Transaction Documents shall not exceed the investment amount actually paid by such Investors to the Company under this Agreement.

## **11. Tax Liability**

Each Party shall bear responsibility for all taxes, fees, and expenses arising from or related to this Agreement and this capital increase therein.

## **12. Applicable Laws**

The establishment, effect, interpretation, fulfillment, and resolution of disputes under this Agreement shall be governed by the laws of China.

## **13. Dispute Resolution**

13.1 Any disputes arising from or related to this Agreement shall first resolved through amicable negotiations between the Parties. Should these disputes remain unresolved within 30 days following the initial notice of dispute by either Party, the dispute (including those concerning the validity or survival of this Agreement) shall be submitted for arbitration to China International Economic and Trade Arbitration Commission in accordance with the Commission's then-current arbitration rules, and the arbitration shall be conducted in Jiujiang.

13.2 The arbitration award shall be final, binding upon the Parties, and subject to enforcement under the pertinent legal provisions.

13.3 Should the losing party neglect to adhere to the arbitration award, the prevailing party is entitled to seek enforcement from a court holding proper jurisdiction. Arbitration expenses (including reasonable attorney fees) shall be borne by the losing party, unless otherwise determined by the arbitration tribunal. In instances requiring judicial action to enforce the arbitration award, the Defaulting Party is liable for all associated reasonable costs, expenses, and reasonable attorney fees, including but not limited to costs incurred from any additional litigation or enforcement actions by attempts to execute the arbitration award.

13.4 During the arbitration, the Parties are obligated to fulfill the remaining parts of this Agreement, save for those under dispute in the arbitration.

## **14. General Terms**

14.1 This Agreement is drafted in Chinese.

14.2 Any amendments to this Agreement or its annexes necessitate a written agreement by the Parties before coming into effect.

14.3 Annexes made in alignment with this Agreement are deemed an inseparable component of this Agreement, bearing equivalent legal effect with the remaining parts of this Agreement.

14.4 Should any provision of this Agreement become void or unenforceable due to any factors, the validity and enforceability of the remaining provisions remain unaffected. In the event that applicable laws and regulations impede the exercise of any rights conferred by this Agreement and its annexes, the Parties shall diligently pursue viable alternatives to fulfill those rights in compliance with applicable legislation.

14.5 Except as otherwise provided in this Agreement, the delay or failure of either Party in exercising any right, power, or remedy under this Agreement in the event of a breach or fault by the other Party shall not impair any such right, power, or remedy, nor shall it be construed as a waiver of any rights to compensation for such breach or fault, an acquiescence thereto, or a waiver of the right to compensation for any subsequent similar breach or fault.

14.6 This Agreement shall be effective from the date it is duly executed by the Parties.

14.7 All notices hereunder must be written in Chinese. Except as expressly stipulated herein, notices shall be delivered via personal delivery, registered mail, fax, or email to the following designated addresses:

Group Companies:

To: [\*\*\*]

Address: [\*\*\*]

Email: [\*\*\*]

Kingsoft Security:

To: [\*\*\*]

Address: [\*\*\*]

Email: [\*\*\*]

The Fund:

To: [\*\*\*]

Address: [\*\*\*]

Email: [\*\*\*]

Cheetah Technology:

To: [\*\*\*]

Address: [\*\*\*]

Email: [\*\*\*]

Notices under these terms shall be considered duly served in the following instances:

14.7.1 When notices are hand-delivered and receipt acknowledged in writing, delivery before 17:00 on a business day at the designated location will be considered effective at arrival, as proven by the written acknowledgment. However, deliveries made after 17:00 on a business day or at any time on a non-business day will be deemed effective at 09:00 on the subsequent business day;

14.7.2 For domestic deliveries within China using postage-paid postal express, notices will be regarded as delivered 5 business days following the mailing date;

14.7.3 For those sent from or to any location outside of China via postage-prepaid international express, notices will be deemed delivered 10 business days following the mailing date;

14.7.4 Notices dispatched via fax are considered served immediately upon transmission, confirmed by a successful transmission report and verbal confirmation of receipt and the sender must document this acknowledgment in writing and sign it. Should a fax be sent after 17:00 on a business day, or at any time on a non-business day at the recipient's



location, it will be regarded as served at 09:00 on the subsequent business day at the recipient's location; or

- 14.7.5 Email notices are deemed effectively served when the sender's email system confirms successful transmission;
- 14.7.6 During the term of this Agreement, either Party can change their notice-receiving address and related information via a 15-day advance written notice to the other Parties.
- 14.8 This Agreement is executed in quadruplicate, with each Party holding one, all of which are considered original and have equal legal effect. A facsimile, scanned, or emailed copy of this Agreement shall be equally valid and enforceable as an original.
- 14.9 The term "**Affiliate**" hereunder, pertains to, any specific natural person, their spouse, offspring and their spouses, parents, the parents of their spouses, siblings and their spouses, as well as the siblings of their spouses and their spouses; In the case of other specific entity, "Affiliate" refers to any other entity which is, directly or through intermediaries, either controlled by, in common control with, or under the control of such entity by another entity. Additionally, it includes any entity that holds control over, is under the control of, or shares common control with the said entity.
- 14.10 The terms "**Control**", "**Controlled by**" and "**Jointly Controlled by**" hereunder indicate that, between two or more entities, one entity directly or indirectly possesses control or decision-making authority over the business or management of the other entities, or exercises control or decision-making rights over the other entities through a third party.

[no text below]

IN WITNESS WHEREOF, this Agreement is signed by the Parties on the date indicated at the beginning of this document.

**Beijing OrionStar Technology Co., Ltd. (Seal)**

Signature:     /s/ Liu Yuanyuan    

Name: Liu Yuanyuan

Title: Legal Representative

IN WITNESS WHEREOF, this Agreement is signed by the Parties on the date indicated at the beginning of this document.

**Beijing Kingsoft Security Software Co., Ltd. (Seal)**

Signature:  /s/ Sheng Fu  
Name: Sheng Fu  
Title: Legal Representative

IN WITNESS WHEREOF, this Agreement is signed by the Parties on the date indicated at the beginning of this document.

**Cheetah Technology Corporation Limited**

Signature:     /s/ Sheng Fu    

Name: Sheng Fu

Title: Director

IN WITNESS WHEREOF, this Agreement is signed by the Parties on the date indicated at the beginning of this document.

**Gongqingcheng Orion Industrial Investment Center (Limited Partnership) (Seal)**

Signature:  /s/ Zhang Shulu

Name: Zhang Shulu

Title: Representative Appointed by Managing Partner

**Annex I**  
**Statements and Guarantees of Guarantors**

As at the Execution Date of this Agreement, the Guarantors hereby make the following statements and guarantees to the Investors:

1. Legal status. The Group Companies are all legally organized and validly existing enterprise legal persons in accordance with the laws of China and are capable of independently bearing legal liabilities.
2. Formal Authorization and Binding Force. The Guarantors express their true intentions in signing and performing the Transaction Documents to which they are a party, have obtained or will obtain all necessary legal authorization prior to the Closing Date, and are bound by all the terms and conditions of such Transaction Documents.
3. No Conflicts. The execution and performance of the Transaction Documents to which the Guarantors are a Party will not violate or be in conflict with their Articles of Association, internal regulations, contracts with third parties, laws, regulations, approvals or permits of the relevant competent authorities, or judgments, rulings or orders of the courts.
4. Business Permit. The Group Companies have obtained the significant authorizations or permits from governmental authorities required for their current business activities.
5. Capital Structure. Unless specifically disclosed by the Guarantors, the Company's capital structure filed in the registration of competent market regulatory authorities and recorded in the Articles of Association and relevant amendments provided by the Company to the Investors is consistent with the information disclosed by the Company to the Investors.
6. Real Estate. The Group Companies do not possess any owned real estate. All lease agreements relating to real estate leased by Group Companies constitute legal, valid, binding and enforceable obligations of the parties to the lease agreements.
7. Movable Property. The Group Companies have full ownership or valid and binding leasehold rights and interests for movable property and other assets used in their operations, and all their assets are well maintained, operated and repaired, except for normal wear in the course of daily use.
8. Accounting Records. The Group Companies at all times maintain proper and accurate books and records in accordance with China Accounting Standards for Business Enterprises and prepare their financial statements accordingly.
9. Undisclosed liabilities. The Group Companies do not have any undisclosed liabilities and contingent liabilities that should be disclosed in the financial statements (or the notes thereto) as per China Accounting Standards for Business Enterprises, nor do they have any liabilities and contingent liabilities that are not required to be disclosed as per China Accounting Standards for Business Enterprises but which have or may have a material adverse effect on the Group Companies' financial position or business operation.
10. Employees.
  - (1) The Group Companies do not have any outstanding employee resettlement expenses, economic compensation or other similar expenses payable;
  - (2) The Group Companies have entered into labor contracts with all their employees in accordance with laws;
  - (3) The Group Companies have paid and/or withheld all social insurance premiums, housing provident funds and other employee benefits payable under the laws and agreements in full and on time in accordance with the applicable laws.
11. Taxation.
  - (1) The Group Companies have paid all taxes levied on them or their assets in accordance with laws within the period permitted by applicable laws, without any penalties, fines or late fees.

- (2) All tax incentives and financial subsidies granted to the Group Companies are in compliance with laws, and have not been withdrawn or revoked by the competent governmental authorities.
12. Compliance with Laws. The Group Companies have, in material respects, complied with and fulfilled all obligations under applicable laws, and have, in material respects, complied with all authorizations and permits applicable to them; the Group Companies did not violate any laws that may have a material adverse effect on this capital increase.
13. Government Authorizations. The Group Companies have obtained all approvals, permits, licenses and governmental authorizations necessary for their current business and products, and believe that they are capable of obtaining any governmental authorizations for the business they plan to conduct currently, without incurring any unreasonable costs or expenses. The Group Companies never violate the provisions of such governmental authorizations in any material respect. All such governmental authorizations remain valid and unexpired without any withdrawal or termination. All such governmental authorizations will not be withdrawn, terminated or invalidated as a result of this capital increase, and the Group Companies and the Founders learn that no events or circumstances will cause the expiration of these governmental authorizations without extension.
14. Material Contracts. All material contracts of the Group Companies (i) are legally constituted, in full force and effect and legally binding on the parties to such contracts, and (ii) shall continue in full force and effect and will not incur any penalties or other adverse consequences after the consummation of the transactions contemplated by the Transaction Documents. The Group Companies do not violate any material contracts, or receive or send any notice regarding termination, recession or revocation of any material contracts or default under any material contracts. To the best of the Guarantors' knowledge, there is no material breach of such material contracts by any other party to such material contracts. Except the Transaction Documents, there are no contracts, agreements or other arrangements granting any preemptive rights to any subject to purchase material assets or property of, or any equity in, the Group Companies (other than the purchases made normally in the business and being consistent with conventions).
15. Information Disclosure. All information disclosed by the Guarantors in connection with this Agreement is true, complete, accurate, valid and reasonable, without any false or misleading information or any undisclosed major matter that should have been disclosed.

**Exhibit 8.1****LIST OF SIGNIFICANT SUBSIDIARIES AND VIES**

<b>Subsidiaries</b>	<b>Place of Incorporation</b>
Cheetah Technology Corporation Limited	Hong Kong
Beijing Kingsoft Internet Security Software Co., Ltd.	People's Republic of China
Conew Network Technology (Beijing) Co., Ltd.	People's Republic of China
Hongkong Zoom Interactive Network Marketing Technology Limited	Hong Kong
Cheetah Information Technology Company Limited	Hong Kong
Cheetah Mobile Singapore Pte. Ltd.	Singapore
Multicloud Limited	Hong Kong
Beijing Kingsoft Cheetah Technology Co., Ltd.	People's Republic of China
Jingdezhen Jibao Information Service Co., Ltd.	People's Republic of China
Japan Kingsoft Inc.	Japan
Zhuhai Baoqu Technology Co., Ltd.	People's Republic of China
Zhuhai Baobaohong Technology Co., Ltd.	People's Republic of China
Zhuhai Baohaowan Technology Co., Ltd.	People's Republic of China
Beijing Orion Star Technology Co., Ltd.	People's Republic of China
Hongkong Cheetah Mobile Technology Limited	Hong Kong
Conew.com Corporation	British Virgin Islands
Cheepop Inc.	Cayman
Cheetah Mobile Seal Inc.	Cayman
Cheetah Mobile Calls Hong Kong Limited	Hong Kong
Zhuhai Juntian Electronic Technology Co., Ltd.	People's Republic of China
<b>Variable Interest Entities</b>	
Beijing Conew Technology Development Co., Ltd.	People's Republic of China
Beijing Cheetah Mobile Technology Co., Ltd.	People's Republic of China
Beijing Cheetah Network Technology Co., Ltd.	People's Republic of China



**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 , 2024

By: /s/ Sheng Fu  
Name: Sheng Fu  
Title: Chief Executive Officer

**Certification by the Principal Executive 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, 2024

By: /s/ Thomas Jintao Ren  
Name: Thomas Jintao Ren  
Title: Chief Financial Officer

**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, 2023 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, 2024

By: /s/ Sheng Fu  
Name: Sheng Fu  
Title: Chief Executive Officer

**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, 2023 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, 2024

By: /s/ Thomas Jintao Ren  
Name: Thomas Jintao Ren  
Title: Chief Financial Officer



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BEIJING | SHANGHAI | SHENZHEN | CHENGDU

April 18 , 2024  
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, 2023 (the “**Annual Report**”), which will be filed with the Securities and Exchange Commission (the “**SEC**”) in the month of April 2024, 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



**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-199577) pertaining to the 2013 Equity Incentive Plan and 2014 Restricted Shares Plan of Cheetah Mobile Inc., and

(2) Registration Statement (Form S-8 No. 333-272435) pertaining to the 2023 Share Incentive 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) of Cheetah Mobile Inc. for the year ended December 31, 2023.

/s/ Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China  
April 18, 2024

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] and Form S-8 [FILE NO. 333-272435] of our report dated April 18, 2024, with respect to our audits of the consolidated financial statements of Cheetah Mobile Inc. as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 appearing in the Annual Report on Form 20-F of Cheetah Mobile Inc. for the year ended December 31, 2023.

/s/ Marcum Asia CPAs LLP

Marcum Asia CPAs LLP  
Beijing, China  
April 18, 2024

**CLAWBACK POLICY**  
**CHEETAH MOBILE INC.**

**PURPOSE**

Cheetah Mobile Inc. (the “Company”) believes that it is in the best interests of the Company and its shareholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Company’s Board of Directors (the “Board”) has therefore adopted this policy, which provides for the recoupment of certain executive compensation in the event that the Company is required to prepare an accounting restatement of its financial statements due to material noncompliance with any financial reporting requirement under the federal securities laws (this “Policy”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the rules promulgated thereunder, and the listing standards of the New York Stock Exchange.

**ADMINISTRATION**

This Policy shall be administered by the Compensation Committee of the Board (the “Compensation Committee”). Any determinations made by the Compensation Committee shall be final and binding on all affected individuals.

**COVERED EXECUTIVES**

This Policy applies to the Company’s current and former executive officers (as determined by the Compensation Committee in accordance with Section 10D of the Exchange Act, the rules promulgated thereunder, and the listing standards of the New York Stock Exchange) and such other senior executives or employees who may from time to time be deemed subject to this Policy by the Compensation Committee (collectively, the “Covered Executives”). This Policy shall be binding and enforceable against all Covered Executives.

Each Covered Executive shall be required to sign and return to the Company the Acknowledgement and Acceptance Form attached hereto as Exhibit A pursuant to which such Covered Executive will acknowledge that he or she is bound by the terms of this Policy; provided, however, that this Policy shall apply to, and be enforceable against, any Covered Executive and his or her successors (as specified in this Policy) regardless of whether or not such Covered Executive properly signs and returns to the Company such Acknowledgement and Acceptance Form and regardless of whether or not such Covered Executive is aware of his or her status as such.

**RECOUPMENT; ACCOUNTING RESTATEMENT**



In the event that the Company is required to prepare an accounting restatement of its financial statements due to the Company's material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements, or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (each an "Accounting Restatement"), the Compensation Committee will reasonably promptly require reimbursement or forfeiture of the Overpayment (as defined below) received by any Covered Executive (x) after beginning service as a Covered Executive, (y) who served as a Covered Executive at any time during the performance period for the applicable Incentive-Based Compensation (as defined below), and (z) during the three (3) completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three (3) completed fiscal years.

## **INCENTIVE-BASED COMPENSATION**

For purposes of this Policy, "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure, including, but not limited to: (i) non-equity incentive plan awards that are earned solely or in part by satisfying a financial reporting measure performance goal; (ii) bonuses paid from a bonus pool, where the size of the pool is determined solely or in part by satisfying a financial reporting measure performance goal; (iii) other cash awards based on satisfaction of a financial reporting measure performance goal; (iv) restricted stock, restricted stock units, stock options, stock appreciation rights, and performance share units that are granted or vest solely or in part based on satisfaction of a financial reporting measure performance goal; and (v) proceeds from the sale of shares acquired through an incentive plan that were granted or vested solely or in part based on satisfaction of a financial reporting measure performance goal.

Compensation that would not be considered Incentive-Based Compensation includes, but is not limited to: (i) salaries; (ii) bonuses paid solely based on satisfaction of subjective standards, such as demonstrating leadership, and/or completion of a specified employment period; (iii) non-equity incentive plan awards earned solely based on satisfaction of strategic or operational measures; (iv) wholly time-based equity awards; and (v) discretionary bonuses or other compensation that is not paid from a bonus pool that is determined by satisfying a financial reporting measure performance goal.

A financial reporting measure is: (i) any measure that is determined and presented in accordance with the accounting principles used in preparing financial statements, or any measure derived wholly or in part from such measure, such as revenues, EBITDA, or net income or (ii) stock price and total shareholder return. Financial reporting measures include, but are not limited to: revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); net assets or net asset value per share; earnings before interest, taxes, depreciation and amortization; funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); sales per square foot or same store sales, where sales is subject to an accounting restatement; revenue per user, or average revenue per user, where revenue is subject to

an accounting restatement; cost per employee, where cost is subject to an accounting restatement; any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an accounting restatement; and tax basis income.

### **OVERPAYMENT: AMOUNT SUBJECT TO RECOVERY**

The amount to be recovered will be the amount of Incentive-Based Compensation received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts, and must be computed without regard to any taxes paid (the "Overpayment"). Incentive-Based Compensation is deemed "received" in the Company's fiscal period during which the financial reporting measure specified in the incentive-based compensation award is attained, even if the vesting, payment or grant of the incentive-based compensation occurs after the end of that period.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in the Accounting Restatement, the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received, and the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the New York Stock Exchange.

### **METHOD OF RECOUPMENT**

The Compensation Committee will determine, in its sole discretion, the method or methods for recouping any Overpayment hereunder which may include, without limitation:

- requiring reimbursement of cash Incentive-Based Compensation previously paid;
- seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards granted as Incentive-Based Compensation;
- offsetting any or all of the Overpayment from any compensation otherwise owed by the Company to the Covered Executive;
- cancelling outstanding vested or unvested equity awards; and/or
- taking any other remedial or recovery action permitted by law, as determined by the Compensation Committee.

### **LIMITATION ON RECOVERY; NO ADDITIONAL PAYMENTS**

The right to recovery will be limited to Overpayments received during the three (3) completed fiscal years prior to the date on which the Company is required to prepare an Accounting Restatement and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three (3) completed fiscal years. In no event shall the Company be required to award Covered Executives an additional payment if the restated or accurate financial results would have resulted in a higher Incentive-Based Compensation payment.

### **NO INDEMNIFICATION**

The Company shall not indemnify any Covered Executives against the loss of any incorrectly awarded Incentive-Based Compensation.

## **INTERPRETATION**

The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and the applicable rules or standards adopted by the Securities and Exchange Commission or the New York Stock Exchange.

## **EFFECTIVE DATE**

This Policy shall be effective as of the date it is adopted by the Board (the “Effective Date”) and shall apply to Incentive-Based Compensation (including Incentive-Based Compensation granted pursuant to arrangements existing prior to the Effective Date). Notwithstanding the foregoing, this Policy shall only apply to Incentive-Based Compensation received (as determined pursuant to this Policy) on or after October 2, 2023.

## **AMENDMENT; TERMINATION**

The Board may amend this Policy from time to time in its discretion. The Board may terminate this Policy at any time.

## **OTHER RECOUPMENT RIGHTS**

The Board intends that this Policy will be applied to the fullest extent of the law. The Compensation Committee may require that any employment or service agreement, cash-based bonus plan or program, equity award agreement, or similar agreement entered into on or after the adoption of this Policy shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, cash-based bonus plan or program, or similar agreement and any other legal remedies available to the Company.

## **IMPRACTICABILITY**

The Compensation Committee shall recover any Overpayment in accordance with this Policy except to the extent that the Compensation Committee determines such recovery would be impracticable because:

(A) The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered;

(B) Recovery would violate home country law of the Company where that law was adopted prior to November 28, 2022; or

(C) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## **SUCCESSORS**

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

## Exhibit A

### ACKNOWLEDGEMENT AND ACCEPTANCE FORM

Capitalized terms used but not otherwise defined in this Acknowledgement and Acceptance Form shall have the meanings ascribed to such terms in the Cheetah Mobile Inc. Clawback Policy (the “Policy”). By signing below, the undersigned executive officer (the “Covered Executive”) acknowledges and confirms that the Covered Executive has received and reviewed a copy of the Policy and, in addition, the Covered Executive acknowledges and agrees as follows:

(a) the Covered Executive is and will continue to be subject to the Policy and the Policy will apply both during and after the Covered Executive’s employment with the Company;

(b) to the extent necessary to comply with the Policy, the Policy hereby amends any employment agreement, equity award agreement or similar agreement that the Covered Executive is a party to with the Company and the Policy shall apply and govern Incentive-Based Compensation received by any Covered Executive, notwithstanding any contrary or supplemental term or condition in any document, plan or agreement, including, without limitation, any employment contract, indemnification agreement, equity agreement, or equity plan document;

(c) the Covered Executive shall abide by the terms of the Policy, including, without limitation, by returning any Overpayment to the Company to the extent required by, and in a manner permitted by, the Policy;

(d) any amounts payable to the Covered Executive, including any Incentive-Based Compensation, shall be subject to the Policy as may be in effect and modified from time to time in the sole discretion of the Compensation Committee or as required by applicable law or the requirements of the listing standards of the New York Stock Exchange, and that such modification will be deemed to amend this acknowledgment;

(e) the Company may recover any Overpayment through any method of recoupment the Compensation Committee deems appropriate, and the Covered Executive agrees to comply with any request or demand for repayment by the Company in order to comply with the Policy;

(f) the recovery of Overpayment under this Policy will not give rise to any right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company;

(g) the Company may, to the greatest extent permitted by applicable law, reduce any amount that may become payable to the Covered Executive by any amount to be recovered by the Company pursuant to the Policy to the extent such amount has not been returned by the Covered Executive to the Company prior to the date that any subsequent amount becomes payable to the Covered Executive; and

(h) any assertion or application of any rights under federal, state, local or foreign law or in contract or equity that would otherwise conflict with or narrow the Company’s authority to interpret, apply and enforce the Policy to its fullest extent, including but not limited to, the Company’s authority to withhold or divert wages pursuant to the Policy, is hereby waived by the Covered Executive.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date