
**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, 2025.

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: 001-39177

Sound Group 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)

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(Address of principal executive offices)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
American depository shares, each ADS represents two hundred (200) Class A ordinary shares, par value US\$0.0001 per share	SOGP	The Nasdaq Capital Market
Class A ordinary shares, par value US\$0.0001 per share *	N/A	The Nasdaq Capital Market

* Not for trading, but only in connection with the listing of the American depository shares on the Nasdaq Capital Market.

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.

As of February 28, 2026, there were 834,829,150 ordinary shares outstanding, being the sum of 611,614,150 Class A ordinary shares (excluding 841,050 Class A ordinary shares held by Kastle Limited) and 223,215,000 Class B ordinary shares.

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

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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>	Non-accelerated Filer	<input checked="" type="checkbox"/>
				Emerging growth company	<input type="checkbox"/>

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:

- U.S. 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 Section 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

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
FORWARD-LOOKING INFORMATION	3
PART I	4
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	4
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	4
ITEM 3. KEY INFORMATION	4
ITEM 4. INFORMATION ON THE COMPANY	72
ITEM 4A. UNRESOLVED STAFF COMMENTS	105
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	105
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	124
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	132
ITEM 8. FINANCIAL INFORMATION	133
ITEM 9. THE OFFER AND LISTING	135
ITEM 10. ADDITIONAL INFORMATION	135
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	145
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	146
PART II	149
ITEM 13. ITEM DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	149
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	149
ITEM 15. CONTROLS AND PROCEDURES	150
ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT	151
ITEM 16.B. CODE OF ETHICS	152
ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	152
ITEM 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	152
ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	153
ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	153
ITEM 16.G. CORPORATE GOVERNANCE	153
ITEM 16.H. MINE SAFETY DISCLOSURE	154
ITEM 16.I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS	154
ITEM 16.J. INSIDER TRADING POLICIES	154
ITEM 16.K. CYBERSECURITY	154
PART III	155
ITEM 17. FINANCIAL STATEMENTS	155
ITEM 18. FINANCIAL STATEMENTS	155
ITEM 19. EXHIBITS	155

INTRODUCTION

Except where the context otherwise indicates and for the purpose of this annual report only:

“AI” refers to artificial intelligence;

“active users” or “users” is used interchangeably in this annual report and refers to users who visited our platforms at least once in a given period, measured by the number of mobile devices that launched our mobile apps in a given period. The number of active users is calculated by treating each distinguishable mobile device as a separate user even though some individuals may access our platforms using more than one mobile device and multiple individuals may access our services using the same mobile device. An active user is not necessarily a registered user, since one does not have to register with our apps in order to access our audio content;

“ADSs” refers to the American depositary shares, each representing two hundred (200) of our Class A ordinary shares, par value US\$0.0001 per share;

“automatic speech recognition” or “ASR” refers to technology and computational processes that enable a system to recognize and convert spoken language into structured, machine-readable text;

“average total mobile MAUs” refers to the average monthly number of active users across our platforms and apps in a given period, calculated by dividing (i) the sum of mobile active users for each month of such period, by (ii) the number of months in the same period;

“average total monthly paying users” refers to the monthly average number of paying users in a given period across our platforms and apps, calculated by dividing (i) the total number of paying users in each month of such period by (ii) the number of months in the same period;

“China” or “PRC” refer to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan, Hong Kong and Macau;

“Class A ordinary shares” refers to our Class A ordinary shares, par value US\$0.0001 per share;

“Class B ordinary shares” refers to our Class B ordinary shares, par value US\$0.0001 per share;

“Founders” refers to Mr. Jinnan (Marco) Lai, Mr. Ning Ding and the entities that hold shares on behalf of and are controlled by Mr. Jinnan (Marco) Lai and Mr. Ning Ding, as Mr. Jinnan (Marco) Lai and Mr. Ning Ding so designate;

“guild” refers to an organized group of hosts that recruit, manage, train and support its member hosts;

“host” and “content creator” refer to a user who has posted a podcast or hosted an online audio program on our apps;

“MAUs” refers to the number of active users in a given month across our platforms and apps;

“ordinary shares” refers to our Class A ordinary shares and Class B ordinary shares, par value US\$0.0001 per share;

“paying user” refers to an user that has purchased virtual items or other products and services on our platforms at least once during the relevant period. A paying user is not necessarily a unique user, however, as a unique user may set up multiple user accounts on our platforms. The number of paying users we present in this annual report may not be equal to the number of unique individuals who actually purchase or consume virtual items or subscribe for paid podcasts on our platforms for any given period;

“real-time audio and video communication” or “RTC” refers to the real-time transmission of data packets representing audio and visual information between two or more endpoints;

“RMB” or “Renminbi” refers to the legal currency of the PRC;

“Second Amended and Restated Memorandum and Articles of Association” refers to the second amended and restated memorandum and articles of association of our company adopted on October 23, 2019 which has become effective upon our initial public offering;

“text-to-speech” or “TTS” refers to a technology that converts written text into synthetic audio output;

“user-generated content” or “UGC” refers to any form of content, including audio, reviews, and other materials, that is created, posted, uploaded, or otherwise distributed by end users;

“US\$” or “U.S. dollars” refers to the legal currency of the United States;

“voice cloning” refers to the use of artificial intelligence to analyze the vocal characteristics of a target individual in order to generate highly realistic synthetic speech that mimics that individual’s voice; and

“We,” “us,” “our company,” “our,” “the Company,” and the “Group” refer to Sound Group Inc., its subsidiaries and, in the context of describing our operations and consolidated financial information, its variable interest entities (“VIEs”). As described elsewhere in this annual report, we do not own the VIEs, and the results of the VIEs’ operations only accrue to us through contractual arrangements between the VIEs, and the VIEs’ nominee shareholders, and certain of our subsidiaries. Accordingly, in appropriate contexts we will describe the VIEs’ activities separately from those of our direct and indirect owned subsidiaries and our use of the terms “we,” “us,” and “our” may not include the VIEs in those contexts. The “Company” refers to Sound Group Inc.

We have made rounding adjustments to some of the figures included in this annual report. Accordingly, numerical figures shown as totals or percentages may not be an arithmetic calculation of the figures that preceded them.

Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this annual report are made at RMB6.9931 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2025. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all.

FORWARD-LOOKING INFORMATION

This annual report contains statements that constitute forward-looking statements. Many of the forward-looking statements contained in this annual report can be identified by the use of forward-looking words such as “anticipate,” “believe,” “could,” “expect,” “should,” “plan,” “intend,” “estimate” and “potential,” among others.

Forward-looking statements appear in a number of places in this annual report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on our management’s beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to of various factors, including, but not limited to, those identified under the section entitled “Item 3. Key Information—3.D. Risk Factors” in this annual report. These risks and uncertainties include factors relating to:

- our goals and growth strategies;
- our future business development, results of operations and financial condition;
- relevant government policies and regulations relating to our business and industry;
- our expectation regarding the use of proceeds from our initial public offering in January 2020 and follow-on public offering in April 2021;
- general economic and business condition in China and overseas countries and regions where we operate;
- assumptions underlying or related to any of the foregoing;
- other factors that may affect our financial condition, liquidity and results of operations; and
- other risk factors discussed under “Item 3. Key Information—3.D. Risk Factors.”

Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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 Corporate Structure and Contractual Arrangements

Our Company, a Cayman Islands holding company, conducts operations in China through its PRC subsidiaries and the VIEs. However, we and our direct and indirect subsidiaries do not, and it is virtually impossible for them to, have any equity interests in the VIEs in practice as current PRC laws and regulations restrict foreign investment in companies that engage in value-added telecommunication services and other internet related business. As a result, we depend on certain contractual arrangements with the VIEs to operate a significant portion of our business. This structure allows us to consolidate the operating results of the VIEs in our consolidated financial statements under U.S. GAAP. The VIEs are owned by certain nominee shareholders, not us. All of these nominee shareholders are also beneficial owners and directors of the Company. Investors in our ADSs are purchasing equity securities of a Cayman Islands holding company rather than equity securities issued by our subsidiaries and the VIEs. Investors who are non-PRC residents may never directly hold equity interests in the VIEs under current PRC laws and regulations.

Beijing Hongyiyichuang Information Technology Co., Ltd. (“Hongyi Technology”), Guangzhou Tiya Information Technology Co., Ltd. (“Guangzhou Tiya”), Guangzhou Yuechuang Information Technology Co., Ltd. (“Guangzhou Yuechuang”), Guangzhou Yuyin Information Technology Co., Ltd. (“Guangzhou Yuyin”) and Guangzhou QingYin Information Technology Co., Ltd. (“Guangzhou QingYin”) (our wholly-owned subsidiaries in China) are considered foreign-invested enterprises, or WFOEs. To comply with PRC laws and regulations, our WFOEs conduct our business in China mainly through Guangzhou Lizhi Network Technology Co., Ltd. (“Guangzhou Lizhi”) and Guangzhou Huanliao Network Technology Co., Ltd. (“Guangzhou Huanliao”), the VIEs, and their respective subsidiaries, based on a series of contractual arrangements by and among our WFOEs, the VIEs and the respective shareholders of the VIEs. To streamline our operations in China, we terminated the entire series of VIE arrangements between and among Guangzhou Tiya, Guangzhou Huanliao and the shareholder(s) of Guangzhou Huanliao in July 2022. Concurrently with such termination, Guangzhou QingYin entered into a new series of contractual arrangements by and among Guangzhou QingYin, Guangzhou Huanliao and the shareholder(s) of Guangzhou Huanliao in July 2022, which were last amended and restated in May 2023. For details, please refer to “Item 4. Information on the Company—4.C. Organizational Structure—Contractual Arrangements with the VIEs and the VIEs’ Respective Shareholders.”

Our corporate structure involves unique risks to investors in the ADSs. In 2023, 2024 and 2025, the amount of revenues generated by the VIEs accounted for 99.9%, 99.8% and 98.7%, respectively, of our total net revenues. As of December 31, 2024 and 2025, total assets of the VIEs, excluding amounts due from other companies in the Group, equaled to 41.5% and 43.8% of our consolidated total assets as of the same dates, respectively. Our contractual arrangements with the VIEs have not been tested in court. If the PRC government deems that our contractual arrangements with the VIEs do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to material penalties or be forced to relinquish our interests in those operations or otherwise significantly change our corporate structure. We and our investors face uncertainty about potential future actions by the PRC government that could affect the legality and enforceability of the contractual arrangements with the VIEs and, consequently, significantly affect our ability to consolidate the financial results of the VIEs and the financial performance of our company as a whole. Our ADSs may decline in value or become worthless if we are unable to effectively enforce our contractual control rights over the assets and operations of the VIEs that conduct a significant portion of our business in China. See “Item 3. Key Information—3.D. Risk Factor—Risks Related to Our Corporate Structure” for detailed discussion.

We face various legal and operational risks and uncertainties as a company based in and primarily operating in China. The PRC government has significant authority to exert influence on the ability of a China-based company, like us, to conduct its business, accept foreign investments or be listed on a U.S. stock exchange. For example, we face risks associated with regulatory approvals of offshore offerings, anti-monopoly regulatory actions, cybersecurity and data privacy. The PRC government may also influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that affected our industry and we cannot rule out the possibility that it will in the future further release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. Any such action, once taken by the PRC government, could cause the value of such securities to significantly decline or in extreme cases, become worthless.

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our PRC subsidiaries, the VIEs and their subsidiaries. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and the VIEs have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our holding company, the VIEs in China, including, among others, the ICP License and the Internet Culture Operating License. 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. For more detailed information, see “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—If we fail to obtain or maintain the required licenses and approvals or if we fail to comply with laws and regulations applicable to our industry, our business, financial condition and results of operations may be materially and adversely affected.”

Furthermore, in connection with our previous issuance of securities to foreign investors, under current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and the VIEs, (i) have not been required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) have not been required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not received or been denied such requisite permissions by any PRC authority.

However, on February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, which became effective on March 31, 2023, requiring PRC domestic companies seeking to directly or indirectly offer securities and list in overseas markets to file with the CSRC. Therefore, we may be required to complete filing with the CSRC in relation to any future offshore offering. For more detailed information, see “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.” and “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.”

Cash Flows through Our Organization

Under relevant PRC Laws and regulations, we are permitted to provide funding from the proceeds of our offshore fund raising activities to our PRC subsidiaries only through loans or capital contributions, and to the VIEs only through loans.

As of December 31, 2025, Sound Group Inc. had historically made cumulative capital contributions of US\$31.0 million to our PRC subsidiaries through intermediate holding company, and were accounted as long-term investments of Sound Group Inc. These funds have been used by our PRC subsidiaries and the VIEs for their operations. In 2025, Sound Group Inc. completed the capital reduction to our PRC subsidiaries from US\$31.0 million to US\$17.1 million. In 2023, 2024 and 2025, the VIEs transferred RMB137.0 million, RMB176.0 million and RMB120.3 million (US\$17.2 million), respectively, to our PRC subsidiaries as payment of technical development service fees. Hongyi Technology and Guangzhou QingYin, our PRC subsidiaries, maintained certain personnel for research and development and general and administrative functions to support the operations of the VIEs.

Apart from services charges and loans among the VIEs and our PRC subsidiaries, there were no other assets transferred between the VIEs and Non-VIEs in 2023, 2024 and 2025.

As advised by our PRC legal counsel, for any amounts owed by the VIEs to our PRC subsidiaries under the VIE agreements, unless otherwise required by PRC governmental authorities, we are able to settle such amounts without limitations under the current effective PRC laws and regulations, provided that the VIEs have sufficient funds to do so. Sound Group Inc. has not previously declared or paid any cash dividend or dividend in kind, and has no plan to declare or pay any dividends in the near future on our shares or the ADSs representing our ordinary shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. See “Item 8. Financial Information—8.A. Consolidated Statements and Other Financial Information—Dividend Policy.”

For the purpose of illustration, the below table reflects the hypothetical taxes that might be required to be paid within China, assuming that: (i) we have taxable earnings, and (ii) we determine to pay a dividend in the future:

	Taxation Scenario⁽¹⁾ Statutory Tax and Standard Rates
Hypothetical pre-tax earnings ⁽²⁾	100%
Tax on earnings at statutory rate of 25%	(25)%
Net earnings available for distribution	75%
Withholding tax at standard rate of 10% ⁽³⁾	(7.5)%
Net distribution to Parent/Shareholders	67.5%

Notes:

- (1) The tax calculation has been simplified for the purpose of this example. The hypothetical book pre-tax earnings amount, which does not consider timing differences, is assumed to equal the taxable income in the PRC.
- (2) Under the terms of agreements, technical development and technical service fees are charged by our PRC subsidiaries to the VIEs. For all the periods presented, these fees are recognized as expenses of the VIEs, with a corresponding amount as service income by our PRC subsidiaries and eliminated in consolidation. For income tax purposes, our PRC subsidiaries and the VIEs file income taxes on a separate company basis. The fees paid are recognized as a tax deduction by the VIEs and as income by our PRC subsidiaries and are tax neutral.
- (3) China’s Enterprise Income Tax Law imposes a withholding income tax of 10% on dividends distributed by a Foreign Invested Enterprises (“FIE”) to its immediate holding company outside of China. A lower withholding income tax rate of 5% is applied if the FIE’s immediate holding company is registered in Hong Kong or other jurisdictions that have a tax treaty arrangement with China, subject to a qualification review at the time of the distribution. For the purpose of this hypothetical example, this table has been prepared based on a taxation scenario under which the full withholding tax would be applied.

The table above has been prepared under the assumption that all profits of the VIEs will be distributed as fees to our PRC subsidiaries under tax neutral contractual arrangements. If in the future, the accumulated earnings of the VIEs exceed the fees paid to our PRC subsidiaries, or if the current and contemplated fee structure between the intercompany entities is determined to be non-substantive and disallowed by Chinese tax authorities, we have other tax-planning strategies that can be deployed on a tax neutral basis.

Should all tax planning strategies fail, the VIEs could, as a matter of last resort, make a non-deductible transfer to our PRC subsidiaries for the amounts of the stranded cash in the VIEs. This would result in the double taxation of earnings: one at the VIE level (for non-deductible expenses) and one at the PRC subsidiary level (for presumptive earnings on the transfer). Such a transfer and the related tax burdens would reduce our after-tax income to approximately 50.6% of the pre-tax income. Our management is of the view that the likelihood that this scenario would happen is remote.

Condensed Consolidating Schedule

The following tables present the summary statements of operations for our Company's WFOEs, the VIEs and other entities for the periods presented.

For the Year Ended December 31, 2023						
Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated	
(RMB in thousands)						
Third-party revenues	—	2,282	—	2,069,490	—	2,071,772
Inter-company revenues ⁽¹⁾	—	5,944	136,729	1	(142,674)	—
Cost of revenues	—	(21,006)	(1,667)	(1,463,725)	1	(1,486,397)
Gross profit	—	(12,780)	135,062	605,766	(142,673)	585,375
Operating expenses ⁽⁴⁾	(107,380)	(73,870)	(54,261)	(640,205)	142,673	(733,043)
(Loss)/income from subsidiaries ⁽²⁾	(14,852)	65,235	—	—	(50,383)	—
Loss from VIEs ⁽³⁾	—	—	(23,549)	—	23,549	—
(Loss)/gain from non-operations	(4,419)	(475)	7,430	11,051	—	13,587
(Loss)/income before income tax expenses	(126,651)	(21,890)	64,682	(23,388)	(26,834)	(134,081)
Income tax expenses	—	(268)	—	(166)	—	(434)
Net (loss)/income	(126,651)	(22,158)	64,682	(23,554)	(26,834)	(134,515)
Net loss attributable to the non-controlling interest shareholders	—	7,306	553	5	—	7,864
Net (loss)/income attributable to Sound Group Inc.'s ordinary shareholders	(126,651)	(14,852)	65,235	(23,549)	(26,834)	(126,651)

For the Year Ended December 31, 2024						
Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated	
(RMB in thousands)						
Third-party revenues	—	5,062	80	2,026,664	—	2,031,806
Inter-company revenues ⁽¹⁾	—	34,840	162,804	—	(197,644)	—
Cost of revenues	—	(16,461)	(1,471)	(1,457,016)	—	(1,474,948)
Gross profit	—	23,441	161,413	569,648	(197,644)	556,858
Operating expenses ⁽⁴⁾	(12,882)	(106,978)	(92,539)	(631,806)	197,644	(646,561)
(Loss)/income from subsidiaries ⁽²⁾	(58,018)	21,591	—	—	36,427	—
Loss from VIEs ⁽³⁾	—	—	(56,416)	—	56,416	—
(Loss)/gain from non-operations	1,320	612	2,616	7,440	—	11,988
(Loss)/income before income tax expenses	(69,580)	(61,334)	15,074	(54,718)	92,843	(77,715)
Income tax expenses	—	(1,563)	—	(1,698)	—	(3,261)
Net (loss)/income	(69,580)	(62,897)	15,074	(56,416)	92,843	(80,976)
Net loss attributable to the non-controlling interest shareholders	—	4,879	6,517	—	—	11,396
Net (loss)/income attributable to Sound Group Inc.'s ordinary shareholders	(69,580)	(58,018)	21,591	(56,416)	92,843	(69,580)

For the Year Ended December 31, 2025

	Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Third-party revenues	-	39,212	-	3,063,542	-	3,102,754
Inter-company revenues ⁽¹⁾	-	27,098	103,925	-	(131,023)	-
Cost of revenues	-	(33,067)	(2,259)	(2,162,269)	-	(2,197,595)
Gross profit	-	33,243	101,666	901,273	(131,023)	905,159
Operating expenses ⁽⁴⁾	(10,984)	(81,419)	(84,672)	(642,105)	131,023	(688,157)
Income from subsidiaries ⁽²⁾	234,820	284,847	-	-	(519,667)	-
Income from VIEs ⁽³⁾	-	-	261,385	-	(261,385)	-
Gain/(loss) from non-operations	2,905	(1,274)	2,648	2,149	-	6,428
Income before income tax expenses	226,741	235,397	281,027	261,317	(781,052)	223,430
Income tax expenses	(259)	(2,590)	-	68	-	(2,781)
Net income	226,482	232,807	281,027	261,385	(781,052)	220,649
Net loss attributable to the non-controlling interest shareholders	-	2,013	3,820	-	-	5,833
Net income attributable to Sound Group Inc.'s ordinary shareholders	226,482	234,820	284,847	261,385	(781,052)	226,482

(1) It represents the inter-company service charged among the WFOEs and the VIEs. The cost of the charges is reflected in the "Cost of revenues" and "Research and development expenses" of the WFOEs and the VIEs. All amounts are eliminated in consolidation.

(2) It represents the elimination of the investments among Sound Group Inc., other subsidiaries and the WFOEs.

(3) It represents the elimination between the WFOEs and the VIEs and VIEs' subsidiaries that we consolidate under U.S. GAAP (ASC 810).

(4) It includes selling and marketing expenses, general and administrative expenses and research and development expenses.

The following tables present the summary balance sheet data for our Company's WFOEs, the VIEs and other entities as of the dates presented.

	As of December 31, 2024					
	Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and Subsidiaries'	Elimination	Consolidated
	(RMB in thousands)					
Cash and cash equivalents	132,787	90,914	30,464	187,693	—	441,858
Restricted cash	—	1,677	7,895	1,733	—	11,305
Accounts receivable, net	—	—	600	482	—	1,082
Prepayments and other current assets	2,708	10,744	3,648	18,006	—	35,106
Amounts due from Sound Group Companies ⁽¹⁾	571,824	248,860	351,053	67,916	(1,239,653)	—
Property, equipment and leasehold improvement, net	—	4,759	4,736	6,996	—	16,491
Intangible assets, net	—	127	—	1,049	—	1,176
Deficit in subsidiaries ⁽²⁾	(213,366)	(129,247)	—	—	342,613	—
Controlling financial interests in the VIEs ⁽³⁾	—	—	(427,405)	—	427,405	—
Right-of-use assets, net	—	6,442	5,627	623	—	12,692
Other non-current assets	—	987	743	—	—	1,730
Total assets	493,953	235,263	(22,639)	284,498	(469,635)	521,440
Accounts payable	—	1,018	176	38,185	—	39,379
Deferred revenue	—	1,642	—	29,318	—	30,960
Salary and welfare payable	1,968	5,139	19,832	104,247	—	131,186
Taxes payable	—	1,225	1,040	5,002	—	7,267
Short-term loans	—	7,188	—	—	—	7,188
Accrued expenses and other current liabilities	2,892	4,592	285	70,722	—	78,491
Lease liabilities	—	6,455	5,589	620	—	12,664
Amounts due to Sound Group Companies ⁽¹⁾	253,804	435,284	86,756	463,809	(1,239,653)	—
Total liabilities	258,664	462,543	113,678	711,903	(1,239,653)	307,135
Total Sound Group Inc.'s shareholders' equity	235,289	(213,366)	(129,247)	(427,405)	770,018	235,289
Non-controlling interests	—	(13,914)	(7,070)	—	—	(20,984)
Total shareholders' equity/(deficit)⁽²⁾	235,289	(227,280)	(136,317)	(427,405)	770,018	214,305
Total liabilities and shareholders' equity/(deficit)	493,953	235,263	(22,639)	284,498	(469,635)	521,440

As of December 31, 2025

	Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated
	(RMB in thousands)					
Cash and cash equivalents	76,354	106,681	191,167	280,856	-	655,058
Restricted cash	-	2,693	-	2,151	-	4,844
Accounts receivable, net	-	-	540	432	-	972
Prepayments and other current assets	995	16,110	3,443	29,135	-	49,683
Amounts due from Sound Group Companies ⁽¹⁾	549,831	218,642	256,576	209,221	(1,234,270)	-
Property, equipment and leasehold improvement, net	-	2,698	3,037	6,335	-	12,070
Intangible assets, net	-	337	14	528	-	879
Investments in subsidiaries ⁽²⁾	18,214	63,175	-	-	(81,389)	-
Controlling financial interests in the VIEs ⁽³⁾	-	-	(166,020)	-	166,020	-
Right-of-use assets, net	-	10,765	3,733	9,074	-	23,572
Other non-current assets	-	2,536	-	-	-	2,536
Total assets	645,394	423,637	292,490	537,732	(1,149,639)	749,614
Accounts payable	-	827	175	57,749	-	58,751
Deferred revenue	-	2,535	-	35,705	-	38,240
Salary and welfare payable	2,617	10,368	20,126	143,105	-	176,216
Taxes payable	-	2,129	977	6,097	-	9,203
Accrued expenses and other current liabilities	2,460	1,585	429	63,853	-	68,327
Lease liabilities	-	11,643	3,763	9,175	-	24,581
Amounts due to Sound Group Companies ⁽¹⁾	239,255	392,212	214,735	388,068	(1,234,270)	-
Total liabilities	244,332	421,299	240,205	703,752	(1,234,270)	375,318
Total Sound Group Inc.'s shareholders' equity	401,062	18,214	63,175	(166,020)	84,631	401,062
Non-controlling interests	-	(15,876)	(10,890)	-	-	(26,766)
Total shareholders' equity/(deficit)⁽²⁾	401,062	2,338	52,285	(166,020)	84,631	374,296
Total liabilities and shareholders' equity/(deficit)	645,394	423,637	292,490	537,732	(1,149,639)	749,614

(1) It represents the elimination of inter-company balances among Sound Group Inc., other subsidiaries, WFOEs, the VIEs and VIEs' subsidiaries.

(2) It represents the elimination of the investments among Sound Group Inc., other subsidiaries and the WFOEs.

(3) It represents the elimination between the WFOEs and the VIEs and VIEs' subsidiaries that we consolidate under U.S. GAAP (ASC 810).

The VIEs hold assets with no carrying value in the consolidated balance sheet that are important to the Company's ability to produce revenue (referred to as unrecognized revenue-producing assets). Unrecognized revenue-producing assets held by the VIEs mainly include the ICP License and the Internet Culture Operating License. Recognized revenue-producing assets held by the VIEs include copyrights, trademarks and domain names.

The following tables present the summary cash flow data for our Company's WFOEs, the VIEs and other entities for the periods presented.

For the Year Ended December 31, 2023						
Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated	
(RMB in thousands)						
Net cash (used in)/generated from operating activities⁽¹⁾	(103,250)	(82,053)	93,428	(25,170)	—	(117,045)
Investments in and loans to Group companies ⁽²⁾	(114,911)	—	(80,000)	—	194,911	—
Other investing activities	91,022	(550)	17,857	(2,676)	—	105,653
Cash repayment from Group companies	21,466	10	39,248	495	(61,219)	—
Net cash (used in)/generated from investing activities	(2,423)	(540)	(22,895)	(2,181)	133,692	105,653
Capital contribution and loans received from Group companies ⁽²⁾	80,000	114,911	—	—	(194,911)	—
Other financing activities	5	(4,879)	—	(66,800)	—	(71,674)
Cash repayment to Group companies	—	(21,961)	—	(39,258)	61,219	—
Net cash generated from/(used in) financing activities	80,005	88,071	—	(106,058)	(133,692)	(71,674)

For the Year Ended December 31, 2024						
Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated	
(RMB in thousands)						
Net cash (used in)/generated from operating activities⁽¹⁾	(20,788)	(68,648)	77,976	(15,009)	—	(26,469)
Other investing activities	—	(6,688)	(4,587)	(699)	—	(11,974)
Capital reduction and dividends from Group companies ⁽²⁾	—	198,242	—	—	(198,242)	—
Cash repayment from Group companies	100,118	—	7,810	36,440	(144,368)	—
Net cash generated from/(used in) investing activities	100,118	191,554	3,223	35,741	(342,610)	(11,974)
Capital reduction and dividends to Group companies ⁽²⁾	—	—	(198,242)	—	198,242	—
Cash repayment to Group companies ⁽²⁾	(7,810)	(100,118)	(36,440)	—	144,368	—
Other financing activities	(10,183)	7,189	—	—	—	(2,994)
Net cash (used in)/generated from financing activities	(17,993)	(92,929)	(234,682)	—	342,610	(2,994)

For the Year Ended December 31, 2025						
Sound Group Inc.	Other Subsidiaries	WFOEs	VIEs and VIEs' Subsidiaries	Elimination	Consolidated	
(RMB in thousands)						
Net cash (used in)/generated from operating activities⁽¹⁾	(7,219)	20,495	30,429	236,326	-	280,031
Other investing activities	-	(1,499)	(334)	(1,968)	-	(3,801)
Capital reduction and dividends from Group companies ⁽²⁾	-	108,522	-	-	(108,522)	-
Cash repayment from Group companies	39,839	-	239,130	-	(278,969)	-
Net cash generated from/(used in) investing activities	39,839	107,023	238,796	(1,968)	(387,491)	(3,801)
Capital reduction and dividends to Group companies ⁽²⁾	-	-	(108,522)	-	108,522	-
Cash repayment to Group companies ⁽²⁾	(28,563)	(39,839)	-	(210,567)	278,969	-
Other financing activities	(59,013)	(7,188)	-	-	-	(66,201)
Net cash used in financing activities	(87,576)	(47,027)	(108,522)	(210,567)	387,491	(66,201)

(1) For the years ended December 31, 2023, 2024 and 2025, cash paid by the VIEs to our PRC subsidiaries for technical development service fees were RMB137.0 million, RMB176.0 million and RMB120.3 million (US\$17.2 million), respectively.

(2) Represents the investment in and loans to WFOEs and other subsidiaries by the Parent, and intercompany loans among WFOEs, other subsidiaries, and VIEs, and the elimination among them. The Parent transfers cash to other subsidiaries by making capital contributions or providing loans, and other subsidiaries transfer cash to the WFOEs by making capital contributions or providing loans to them. The WFOEs also have intercompany loans with certain VIEs as part of our cash management program.

Holding Foreign Companies Accountable Act

Trading in our securities on U.S. markets, including the Nasdaq Stock Market LLC, or the Nasdaq, may be prohibited under the Holding Foreign Companies Accountable Act (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 Public Company Accounting Oversight Board (the “PCAOB”) issued the HFCAA Determination Report to notify the SEC of its determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong (the “2021 Determinations”), including our former auditor. On May 4, 2022, we were conclusively identified by the SEC under the HFCAA as having filed audit reports issued by a registered public accounting firm that cannot be inspected or investigated completely by the PCAOB in connection with the filing of our 2021 Form 20-F. The inability of the PCAOB to conduct inspections in the past also deprived our investors of the benefits of such inspections. On December 15, 2022, the PCAOB announced that it was able to conduct inspections and investigations completely of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong in 2022. The PCAOB vacated its previous 2021 Determinations accordingly.

Our current auditor, Enrome LLP, is headquartered in Singapore and subject to inspection by the PCAOB. Our current auditor was not among the PCAOB-registered public accounting firms headquartered in mainland China or Hong Kong that were subject to 2021 Determinations. As a result, we do not believe we are at risk of having our securities subject to a trading prohibition under the HFCAA unless a new determination is made by the PCAOB. Notwithstanding the foregoing, in the future, if it is determined that the PCAOB is unable to inspect or investigate our auditor completely, or the PCAOB expands the scope of its determinations so that we are subject to the HFCAA, as the same may be amended, you may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected or investigated by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in mainland China and Hong Kong that prevents the PCAOB from regularly evaluating our auditor’s audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate, which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities. For details, see “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—The PCAOB had historically been unable to inspect our former auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.”; and “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely our auditor. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.”

3.A. Reserved

3.B. Capitalization and Indebtedness

Not applicable.

3.C. Reason for the Offer and Use of Proceeds

Not applicable.

3.D. Risk Factors

Summary Risk Factors

You should carefully consider all of the information in this annual report before making an investment in the ADSs. Below please find a summary of the principal risks and uncertainties we face, organized under relevant headings. In particular, as we are a China-based company incorporated in the Cayman Islands, you should pay special attention to subsections headed “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China” and “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Corporate Structure.”

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may adversely affect our business, financial condition, results of operations, cash flows, and prospects. These risks are discussed more fully below and include, but are not limited to, risks related to:

Risks Related to Our Audit Committee Independent Investigation, Internal Controls and Related Matters

- We completed an audit committee independent investigation in October 2024. The investigation required significant management time and attention, and the investigated incident could adversely affect our financial position, expose us to additional liabilities and negative publicity.
- If we are unable to remediate and improve our internal controls, we may not be able to accurately or timely report our future financial results.
- If we fail to implement and maintain an effective system of internal controls, 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 our shares may be materially and adversely affected.

Risks Related to Doing Business in China

- Uncertainties with respect to PRC laws and regulations, including uncertainties regarding the enforcement of laws, and sudden or unexpected changes in policies, laws and regulations in China, could have a material and adverse effect on our business and results of operations, limit the legal protections available to you and us or otherwise adversely affect us.
- Regulation and censorship of information disseminated over the mobile and internet in China may adversely affect our business and subject us to liability for content on our platforms.
- Adverse changes in global or China’s economic, political or social conditions or government policies could have a material adverse effect on our business, financial condition and results of operations.
- Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Many of these laws and regulations are subject to change and uncertain interpretation.
- The PRC government’s significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.
- Any failure or perceived failure by us to comply with Anti-monopoly Guidelines for Internet Platforms and other Anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.
- Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely our auditor. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Risks Related to Our Business and Industry

- If we fail to retain our existing users, to keep them engaged, to further grow our user base or to increase paying ratio, our business, operation, profitability and prospects may be materially and adversely affected.
- The PRC government may further tighten the regulation on online audio and entertainment platforms, which may materially and negatively affect our reputation, business, financial condition and results of operations.
- We may fail to attract, cultivate and retain talented and popular hosts, which may materially and negatively affect our user retention and thus our business and operations.
- Our content monitoring system may not be effective in preventing misconduct by our platforms' users and misuse of our platforms and such misconduct or misuse may materially and adversely impact our business, financial condition and results of operations.
- We may fail to offer attractive audio content on our platforms.
- We have limited experience in international markets. If we fail to meet the challenges presented by our expansion overseas, our business, financial condition and results of operations may be materially and adversely affected.

Risks Related to Our Corporate Structure

- There are uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to the agreements that establish the VIE structure for our operations in China, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the VIEs and, consequently, significantly affect the financial condition and results of operations performance of our company. If the PRC government finds such agreements non-compliant with relevant PRC laws, regulations, and rules, or if these laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the VIEs.
- Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.
- The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.
- We rely on contractual arrangements with the VIEs and their shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership.
- We may lose the ability to use and enjoy assets held by the VIEs and their subsidiaries that are important to our business if the VIEs and their subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Risks Related to Our American Depositary Shares

- Our ADSs have experienced and may continue to experience price and volume fluctuations regardless of our operating performance, which could lead to costly litigation for us and make an investment in us less appealing.
- Under our dual-class share structure with different voting rights, holders of Class B ordinary shares have complete control of the outcome of matters put to a vote of shareholders, which may limit ability of holders of our Class A ordinary shares and the ADSs 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.
- The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.

- 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 the voting of the underlying Class A ordinary shares which are represented by your ADSs.
- We have not maintained compliance with the minimum bid price requirement of \$1.00 per share for continued listing on the Nasdaq. If we continue to fail to meet this requirement and Nasdaq determines to delist our ADSs, the delisting would adversely affect the market liquidity of our ADSs and the market price of our ADSs could decrease.

Risks Related to Our Audit Committee Independent Investigation, Internal Controls and Related Matters

We completed an audit committee independent investigation in October 2024. The investigation required significant management time and attention, and the investigated incident could adversely affect our financial position, expose us to additional liabilities and negative publicity.

The audit committee of our board of directors engaged a reputable accounting firm (the “Investigating Firm”) to perform an independent investigation (the “Investigation”) on the incident relating to the recoverability of our deposit balance of US\$12.8 million in a third-party financial institution (the “Incident”). The Investigation was completed in October 2024.

The Investigation did not uncover any substantive issue in connection with the Incident. However, certain internal control weaknesses were noticed in relation to the Incident. For further details, see “Item 8. Financial Information-8.A. Consolidated Statements and Other Financial Information-The Independent Investigation.”

Given the results of the independent investigation and the management’s assessment, there are significant risks relating to the recoverability of our deposit. If we are unable to recover our remaining deposit balance, our future cash flows may be adversely impacted, which could negatively affect our balance sheet and operational capabilities, thereby hindering our strategic initiatives. The unresolved nature of the Incident may also result in inquiries, investigations, or other regulatory proceedings, potentially diverting management’s attention and resources, leading to increased compliance costs and the risk of legal liabilities. Additionally, the Incident itself and the identified internal control weaknesses related to the Incident could result in negative publicity and potential concerns from our investors, partners, and customers, adversely affecting our financial condition, stock price and market valuation.

If we are unable to remediate and improve our internal controls, we may not be able to accurately or timely report our future financial results.

We have identified two material weaknesses in the course of preparing our consolidated financial statements in the prior years. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses that were identified related to (i) our lack of sufficient financial reporting and accounting personnel with appropriate experience of U.S. GAAP and SEC reporting requirements and our failure to establish and clearly communicate acceptable policies regarding U.S. GAAP financial reporting, and (ii) our lack of comprehensive and continuous assessment and risk monitoring mechanism for our financial assets and collection risk associated with third-party financial institutions.

As of December 31, 2025, based on an assessment performed by our management on the performance of certain remediation measures, we determined that both of the material weaknesses had been remediated. However, there is no assurance that we will not have material weaknesses or significant deficiencies in the future. For further details, see “Item 15. Controls and Procedures-Internal Control over Financial Reporting.”

The SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring public companies to include a report of management on the effectiveness of such companies' internal control over financial reporting in their respective annual reports. In addition, an independent registered public accounting firm for a public company may be required to issue an attestation report on the effectiveness of such company's internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. We may be unable to timely complete our evaluation testing and any required remediation. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our listed securities. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

If we fail to implement and maintain an effective system of internal controls, 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 our shares may be materially and adversely affected.

As a public company, we are subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and determine the effectiveness of our internal control over financial reporting, report any material weaknesses in such internal controls and provide a management report on internal control over financial reporting.

We have identified two material weaknesses in the course of preparing our consolidated financial statements in the prior years. As of December 31, 2025, we determined that both of the material weaknesses had been remediated. For further details, see "Item 15. Controls and Procedures-Internal Control over Financial Reporting." We cannot assure you that in the future we will not identify any material weaknesses in our internal control over financial reporting. In addition, because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or management override of internal controls, material misstatements due to error or fraud might not be prevented or detected on a timely basis. If we fail to maintain effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which could cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a negative impact on the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from Nasdaq, regulatory investigations and civil or criminal sanctions.

Risks Related to Doing Business in China

Uncertainties with respect to PRC laws and regulations, including uncertainties regarding the enforcement of laws, and sudden or unexpected changes in policies, laws and regulations in China, could have a material and adverse effect on our business and results of operations, limit the legal protections available to you and us or otherwise adversely affect us.

The PRC legal system is based on written statutes where prior court decisions have limited value as precedents. Our PRC subsidiaries, the VIEs and our WFOEs, are subject to laws and regulations applicable to foreign-invested enterprises as well as various Chinese laws and regulations generally applicable to companies incorporated in China. However, since these laws and regulations are relatively new and the PRC legal system continues to 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, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, there remain uncertainties regarding the outcome of these administrative and court proceedings.

The PRC government has significant oversight and discretion over the conduct of our business and may influence our operations as the government deems appropriate to further regulatory, political and societal goals. The PRC government has recently published new policies that adversely affected our industry and our business, and we cannot rule out the possibility that it will in the future further release regulations or policies regarding our industry that could further adversely affect our business, financial condition and results of operations.

However, as there are still regulatory uncertainties in this regard, we cannot assure you that we will be able to comply with new laws and regulations in all respects, and we may be ordered to rectify, suspend or terminate any actions or services that are deemed illegal by the regulatory authorities and become subject to material penalties, which may materially harm our business, financial condition, results of operations and prospects.

Furthermore, the PRC legal system is based in part on government policies and internal rules that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over 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.

Regulation and censorship of information disseminated over the mobile and internet in China may adversely affect our business and subject us to liability for content on our platforms.

Internet companies in China are subject to a variety of existing and new rules, regulations, policies, and license and permit requirements. In connection with enforcing these rules, regulations, policies and requirements, relevant government authorities may suspend services by, or revoke licenses of, any internet or mobile content service provider that is deemed to provide illicit content online or on mobile devices, and such activities may be intensified in connection with any ongoing government campaigns to eliminate prohibited content online. For example, in 2016, the Office of the Anti-Pornography and Illegal Publications Working Group, the State Internet Information Office, the MIIT, the Ministry of Culture and the Ministry of Public Security jointly launched a “Clean Up the Internet 2016” campaign. Based on publicly available information, the campaign aims to eliminate pornographic information and content in the internet information services industry by, among other things, holding liable individuals and corporate entities that facilitate the distribution of pornographic information and content. Publicly traded companies voluntarily initiated self-investigations to filter and remove content from their websites and cloud servers. Furthermore, as of the date of this annual report, more campaigns, such as the “Clean Up the Internet 2022”, “Clean Up the Internet 2023”, “Clean Up the Internet 2024 Spring Festival”, “Clean Up the Internet 2025 Spring Festival” and “Clean Up the Internet 2025”, have then been launched, which are reported to be aiming at, among others, rectifying a number of illegal activities in the internet information services industry.

We endeavor to eliminate illicit content from our platforms. We have made substantial investments in resources, including artificial intellectual technology to work together with a team of specialized individuals, to monitor content that users post on our platforms and the way in which our users engage with each other through our platforms. We use a variety of methods to ensure our platforms remain a healthy and positive experience for our users. See “Item 4. Information on the Company—4.B. Business Overview—Content Moderation.” Although we employ these methods to filter content posted on our platforms, we cannot be sure that our internal content control efforts will be sufficient to remove all content that may be viewed as indecent or otherwise non-compliant with PRC law and regulations. Government standards and interpretations as to what constitutes illicit online content or behavior are subject to interpretation and may change in a manner that could render our current monitoring efforts insufficient. The Chinese government has wide discretion in regulating online activities and, irrespective of our efforts to control the content on our platforms, government campaigns and other actions to reduce illicit content and activities could subject us to negative press or regulatory challenges and sanctions, including fines, suspension or revocation of our licenses to operate in China or a suspension or ban on our mobile or online platforms, including suspension or closure of one or more parts of or our entire business. Further, our senior management could be held criminally liable if we are deemed to be profiting from illicit content on our platforms. Although our business and operations have not been materially and adversely affected by government campaigns or any other regulatory actions in the past, we cannot assure you that our business and operations will be immune from government actions or sanctions in the future. If government actions or sanctions are brought against us, or if there are widespread rumors that government actions or sanctions have been brought against us, our reputation could be harmed, we may lose users and customers, our revenues and results of operation may be materially and adversely affected and the value of our ADSs could be dramatically reduced.

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

We derive part of our revenue from China. Accordingly, our business, results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic reforms begun in the late 1970s have resulted in significant economic growth. However, any economic reform policies or measures in China may from time to time be modified or revised. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth in the past 40 years, growth has been uneven across different regions and among different economic sectors and the rate of growth has been slowing.

China's economic conditions are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The global macroeconomic environment is facing new challenges and there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. Recent international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, the recent banking turmoil in the United States and the European Union, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. These tensions have been marked by the imposition of higher tariffs and retaliatory measures from both sides, reflecting broader strategies to address perceived trade imbalances. For instance, President Trump has recently escalated his tariff policies, imposing sweeping new tariffs on imports from numerous countries, including China, as part of what Trump describes as a strategy to address trade imbalances and revive domestic manufacturing. The tensions between the United States and China have intensified, marked by the imposition of higher tariffs and retaliatory measures from both sides. While these developments have not directly impacted our business, they could harm the business operations of those suppliers, customers and business partners engaged in exporting goods to these markets, which may ultimately impact our business as well. Additionally, prolonged trade disputes may disrupt global economic conditions, potentially impacting our business and growth prospects. There have also been concerns about the economic effect of the military conflicts and political turmoil or social instability in the Middle East, Europe, Africa and other places. Recently, the Russia-Ukraine war has caused, and continues to intensify, significant geopolitical tensions in Europe and across the global. The resulting sanctions are expected to have significant impacts on the economic conditions of the targeted countries and markets. The Israeli-Palestinian conflict since October 2023, and potential escalation of hostilities between these countries or regions may further complicate the geopolitical landscape and affect global economy. Any severe or prolonged slowdown in the global economy may adversely affect the Chinese economy which in turn may adversely affect our business and operating results.

The PRC government has significant authority to exert influence on China-based companies through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although the PRC economy has grown significantly in the past decade, that growth may not continue, as evidenced by the slowing of the growth of the PRC economy since 2012. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall business environment of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position.

If we became subject to the U.S. Department of Treasury's final rule on outbound investment in the future, investments in our securities by U.S. persons and our ability to raise capital from U.S. persons could be subject to restrictions.

On August 9, 2023, the Biden administration published an executive order, and the Treasury published an advanced notice of proposed rule-making (the "ANPRM"), providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau (the "Outbound Investment Program" or the "OIP"). Further to this ANPRM, on June 21, 2024, the Treasury issued a proposed rule on outbound U.S. investments involving China that was generally consistent in its requirements with the ANPRM. On October 28, 2024, Treasury issued a Final Rule to implement the executive order of August 9, 2023. The Final Rule took effect on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. persons for certain investments in entities associated with China (including Hong Kong and Macau) that are engaged in certain activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "Covered Foreign Persons." U.S. persons subject to the Final Rule are in some instances prohibited altogether from making, and in other instances required to report, certain investments in Covered Foreign Persons, which are defined as "Covered Transactions."

"Covered Transactions" include acquisitions of equity interests, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of Covered Transactions, including those in publicly traded securities listed on a national stock exchange. The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us.

More recently, the America First Investment Policy aims to expand the industry sectors covered by the U.S. outbound investment regulations and supplement outbound restrictions through the imposition of sanctions. The proposed restrictions may further deepen the uncertainties for cross-border collaboration, investment, and funding opportunities of China-based issuers, including us. It is unclear whether these challenges and uncertainties will be addressed or resolved, and how they might impact global political and economic conditions over the long term. Possible changes to the U.S. outbound investment regulations could limit or, in the worst case scenario, eliminate our ability to raise capital or contingent equity capital from U.S. investors in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. If we were deemed a Covered Foreign Person and therefore be subject to the Final Rule, even though U.S. persons' acquisitions of certain publicly traded securities (such as our ADSs) will be exempted from the scope of covered transactions under the Final Rule, the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. investors after this offering, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital raising capacity and our business, financial condition and prospects. In such case, the value of the ADSs may significantly decline, or in extreme cases, become worthless.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore it is not clear what liabilities, if any, online platform operator may have for virtual assets.

While participating on our platforms, our users acquire, purchase and accumulate some virtual assets, such as gifts or certain status. Such virtual assets can be important to users and have monetary value and, in some cases, are sold for actual money. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the user account of one user by other users and occasionally through data loss caused by delay of network service, network crash or hacking activities. Currently, other than the Civil Code of the PRC came into effect on 1 January 2021, or the Civil Code, which prescribes that network virtual property will be protected according to the laws and regulations stipulating the protection of such property, there is no PRC law or regulation specifically governing virtual asset property rights (except for online game virtual currency and single purpose commercial prepaid cards). As a result, there is uncertainty as to who the legal owner of virtual assets is, whether and how the ownership of virtual assets is protected by law, and whether an operator of online platform such as us would have any liability, whether in contract, tort or otherwise, to users or other interested parties, for loss of such virtual assets. Based on recent PRC court judgments, the courts have typically held online platform operators liable for losses of virtual assets by platform users, and ordered online platform operators to return the lost virtual items to users or pay damages and losses if the online platform operators fail to fulfill their obligations as the service provider. In case of a loss of virtual assets, we may be sued by our users and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations.

Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Many of these laws and regulations are subject to change and uncertain interpretation.

We are required by privacy and data protection laws in China and other jurisdictions, including, without limitation, the PRC Cyber Security Law, to ensure the confidentiality, integrity and availability of the information of our users, third-party agents, content providers and other data, which is also essential to maintaining their confidence in our services. However, the interpretation and application of such laws in China and elsewhere are often uncertain and in flux.

Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning cybersecurity and data protection. The interpretation and application of cybersecurity, information security, privacy and data protection laws in China may be determined on an ad hoc basis depending on the facts and circumstances. It is possible that existing or newly-introduced laws and regulations, or their interpretation, application or enforcement, could significantly affect our business practice and force us to change our business practices. For example, the Standing Committee of the National People's Congress of China, promulgated the Cyber Security Law in November 2016, and was further amended and enacted on January 1, 2026, which requires network operators to perform certain functions related to cyber-security protection and strengthened network information management through taking technical and other necessary measures as required by laws and regulations to safeguard the operation of networks, respond to network security effectively, prevent illegal and criminal activities, and maintain the integrity and confidentiality and usability of network data. The Cyber Security Law further provides that personal information and important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security obligations on critical information infrastructures operator. In addition, in June 2021, the Standing Committee of the National People's Congress of China promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the importance of data and provides a national security review procedure for those data activities, which may affect national security and imposes export restrictions on certain data and information. In July 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law, which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management. Furthermore, on August 20, 2021, the Standing Committee of the National People's Congress of China promulgated the Personal Information Protection Law, which provides detailed rules on how to handle personal information and sets forth legal responsibilities.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures, or the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to Cybersecurity Review Measures, in addition to "critical information infrastructure operators", network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures, and an online platform operator who have more than 1 million users' personal information must report to the Cybersecurity Review Office for cybersecurity review when going public abroad. On September 24, 2024, the General Office of the State Council issued the Regulation on Network Data Security Management, which took effect on January 1, 2025 and provides that where network data processing activities carried out by a network data processor affect or may affect national security, national security review shall be conducted in accordance with the relevant provisions issued by the state. Any failure or delay in the completion of the cybersecurity review procedures may prevent us from using or providing certain network products and services, and may result in penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

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; and (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.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires that any data processor providing data collected and generated during operations within the territory of the PRC or personal information to an overseas recipient in the following situations shall report security assessment for its outbound data transfer to the CAC: (a) a data processor provides important data abroad; (b) a critical information infrastructure operator or a data processor processing personal information of more than one million individuals provides personal information abroad; (c) a data processor has provided personal information of more than one hundred thousand individuals abroad or sensitive personal information of more than ten thousand individuals abroad since January 1, 2021; and (d) other situations that are stipulated by CAC. For more details, please see “Item 4. Information on the Company—4.B. Business Overview—Regulations Related to Internet Information Security and Privacy Protection.”

On February 22, 2023, the CAC promulgated the Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, which took effect on June 1, 2023. The Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, specified the applicable scope of, conditions to enter into and detailed filing requirements for standard contracts on cross-border transfer of personal information, which became a part of the compliance mechanism for personal information protection.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flows, which required security assessment for the data processor that provides data to an overseas recipient and meets any of the following conditions, (i) for critical information infrastructure operators that provide any personal information or important data to an overseas recipient, and (ii) for data processors that are not critical information infrastructure operators, that provide any important data to an overseas recipient, or that have cumulatively provided the personal information (excluding sensitive personal information) of not less than 1 million individuals or the sensitive personal information of not less than 10,000 individuals to overseas recipients as of January 1 of the current year. These provisions also stipulated that, when data processors that are not critical information infrastructure operators have cumulatively provided to an overseas recipient the personal information (excluding sensitive personal information) of not less than 100,000 individuals but less than 1 million individuals or the sensitive personal information of less than 10,000 individuals, the data processors must enter into a standard contract for cross-border transfer of personal information with the data recipient or pass a personal information protection certification.

Compliance with the above PRC laws and regulations including the Cyber Security Law, the Cybersecurity Review Measures and the Data Security Law, as well as additional laws and regulations that PRC regulatory bodies may enact in the future, including laws and regulations regarding the cybersecurity, information security, privacy and data protection, may result in additional expenses to us and subject us to negative publicity, which could harm our reputation and business operations. There are also uncertainties with respect to how such laws and regulations will be implemented and interpreted in practice. PRC regulators, including the Department of Public Security, the MIIT, the SAMR and the CAC, have been increasingly focused on regulation in the areas of data security and data protection, and are enhancing the protection of privacy and data security by rule-making and enforcement actions at central and local levels. We expect that these areas will receive greater and continued attention and scrutiny from regulators and the public going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection.

While we have taken various measures to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection in China, we cannot assure you that the measures we have taken or will take are adequate under the Cyber Security Law or other relevant laws and regulations, and we may be held liable in the event of any breach of the relevant requirements under the Cyber Security Law or other relevant laws and regulations. Any failure or perceived failure by us to prevent information security breaches or to comply with data security and privacy policies or related legal obligations, or any compromise of security that results in the unauthorized use, release or transfer of personally identifiable information or other data, could cause our users to lose trust in us and could expose us to legal claims or penalties. Any perception by the public that privacy of user information or data security are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of our products and services generally. We may also be held liable in the event of any breach of general clauses on our compliance with such statutory requirements as well as some other specific requirements related to data protection under the relevant contracts. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services in the ordinary course of our business operations, and cooperated and will keep cooperating in the future with the competent regulators in these respects. If further changes in our business practices are required under China's evolving regulatory framework for the protection of information in cyberspace, our business, financial condition and results of operations may be adversely affected. If we are unable to manage these risks, we could become subject to penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

The PRC government's significant oversight and discretion over our business operation could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily through our subsidiaries, the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight and discretion over the conduct of our business, and it may influence our operations, which could result in a material adverse change in our operation and/or the value of our ADSs. Also, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and foreign investment in China-based issuers. For example, on July 6, 2021, the relevant PRC government authorities made public the Opinions on Strictly Scrutinizing Illegal Securities Activities in accordance with the Law, emphasizing the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. Since 2021, the CAC issued a series of rule and regulations on the strengthened scrutiny over data and cyber security. For more details, see “—Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Many of these laws and regulations are subject to change and uncertain interpretation.” On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, effective from March 31, 2023, which regulates both direct and indirect offering and listing of PRC domestic enterprises' securities by adopting a filing-based regulatory regime, requiring PRC domestic companies seeking to directly or indirectly offer securities and list in oversea markets to file with the CSRC. For more details, see “—The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.” and “Item 4. Information on the Company—4.B. Business Overview—Regulations Related to M&A and Overseas Listings.”

If we are determined by CSRC that we need to complete the filing procedures for our future offshore offerings, or the CSRC, CAC or other regulatory agencies later promulgate and other new rules or explanations requiring us to complete filing procedures or obtain their approvals for our future offshore offerings, we may be unable to complete such filing procedures or obtain such approvals in a timely manner, or at all, and such filings or approvals may be rescinded even if completed or obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

Any failure or perceived failure by us to comply with Anti-monopoly Guidelines for Internet Platforms and other Anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.

In recent years, PRC Anti-monopoly enforcement agencies have strengthened enforcement under the PRC Anti-monopoly Law. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC (the predecessor of the SAMR), respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. In December 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization, which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. In November 2021, the National Anti-monopoly Bureau was inaugurated by the State Council, which aims to further implement the fair competition policies, and strengthen anti-monopoly supervision in the PRC, especially to strengthen oversight and law enforcement in areas involving platform economy, innovation, science and technology, information security and people's livelihood.

The PRC anti-monopoly regulators may also issue implementation rules or guidelines from time to time to reinforce their regulation on certain industrial sectors. In February 2021, the Anti-monopoly Committee of the State Council published the Anti-monopoly Guidelines for Internet Platforms. This guideline prohibits monopolistic conduct such as entering into monopoly agreements, abusing market dominance and concentration of undertakings that may have the effect to eliminate or restrict competition in the field of platform economy. More specifically, the Anti-monopoly Guidelines for Internet Platforms outlines certain practices that may, if without justifiable reasons, constitute abuse of a dominant position, including without limitation, discriminating customers in terms of pricing and other transactional conditions using big data and analytics, coercing counterparties into exclusivity arrangements, using technology means to block competitors' interface, using bundle services to sell services or products, and compulsory collection of users' unnecessary data. The Anti-monopoly Guidelines for Internet Platforms further expressly states that concentration involving VIE will also be subject to antitrust filing requirements, and therefore will also fall within the scope of the antitrust review. In addition, Anti-monopoly Guidelines for Internet Platforms reinforces antitrust merger review for internet platform related transactions to safeguard market competition. The Anti-Monopoly Compliance Guidelines for Internet Platforms were issued and implemented by the State Administration for Market Regulation on January 28, 2026. Compared with the Anti-monopoly Guidelines for Internet Platforms, the Anti-Monopoly Compliance Guidelines for Internet Platforms further specified the scenarios of competitive behaviors involving relatively high anti-monopoly compliance risks. Since the Anti-monopoly Guidelines for Internet Platforms and the Anti-Monopoly Compliance Guidelines for Internet Platforms are relatively new and may be subject to interpretation by the regulators in the process of implementing such guidelines, we cannot assure you that our business operations will comply with such regulation in all respects, and any failure or perceived failure by us to comply with such regulation may result in governmental investigations, fines and/or other sanctions on us. Furthermore, on June 24, 2022, the Standing Committee of the National People's Congress published the amended Anti-monopoly Law, effective on August 1, 2022, which increases the fines for illegal concentration of business operators to no more than ten percent of its last year's sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions; or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The amended Anti-monopoly Law also provides that the relevant authority shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold. See "Item 4. Information on the Company—4.B. Business Overview—Regulation."

We may be involved in investigations, inquiries, claims, complaints or other administrative requirements in relation to anti-monopoly laws and regulations in the PRC from time to time. In the case of our failure or perceived failure to comply with these laws and regulations and new legislations or guidelines to be promulgated from time to time, governmental agencies and regulators may, among other things, prohibit or rescind our acquisitions, divestitures, or combinations, impose significant fines or penalties, require divestiture of certain of our assets, or impose other restrictions that limit or require us to modify our operations. Any anti-monopoly related lawsuit, regulatory investigations or administrative proceedings initiated against us could also result in our being subject to regulatory actions and constraints on our investments and acquisitions, which could include forced termination of any agreements or transactions, required divestitures, and business practices or significant fines. Moreover, any noncompliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and materially and adversely affect our financial conditions, results of operations, and business prospects.

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 ADS holders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC enterprise income tax law that became effective on January 1, 2008 and last amended on 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 Taxation Administration, or the SAT, issued the Circular 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, last amended on December 29, 2017, 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 of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, which became effective on September 1, 2011, to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered 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) not less than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. SAT Bulletin 45 provides further rules on residence status determination, post-determination administration as well as competent tax authorities procedures.

Although SAT Circular 82 and SAT Bulletin 45 apply only to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group and not those controlled by PRC individuals or foreigners, Fangda Partners, our legal counsel as to PRC law, has advised us that the determination criteria set forth therein may reflect 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 meet all of the conditions set forth in SAT Circular 82. Therefore, we believe that we should not be treated as a “resident enterprise” for PRC tax purposes even if the standards for “de facto management body” prescribed in the SAT Circular 82 applied to us. For example, our minutes and files of the resolutions of our board of directors and the resolutions of our shareholders are maintained outside the PRC.

However, it is possible that the PRC tax authorities may take a different view. Fangda Partners, our legal counsel as to PRC law, has advised us that if the PRC tax authorities determine that our Cayman Islands holding company or any British Virgin Islands or Hong Kong subsidiary is a PRC resident enterprise for PRC enterprise income tax purposes, its world-wide income could be subject to PRC tax at a rate of 25%, which could reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Although dividends paid by one PRC tax resident to another PRC tax resident should qualify as “tax-exempt income” under the enterprise income tax law, we cannot assure you that dividends paid by our PRC subsidiaries to us or any of our Hong Kong subsidiaries will not be subject to a 10% withholding tax if we or any of our Hong Kong subsidiaries were treated as a PRC resident enterprise, as the PRC foreign exchange control authorities, which enforce the withholding tax on dividends, 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 we are treated as a resident enterprise, non-PRC resident ADS holders and shareholders may also be subject to PRC withholding tax on dividends paid by us and PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is sourced from within the PRC. The tax would be imposed at the rate of 10% in the case of non-PRC resident enterprise ADS holders and shareholders and 20% in the case of non-PRC resident individual ADS holders and shareholders. In the case of dividends, we would be required to withhold the tax at source. Although our holding company is incorporated in the Cayman Islands, it remains unclear whether dividends received and gains realized by our non-PRC resident ADS holders and shareholders will be regarded as income from sources with the PRC if we are classified as a PRC resident enterprise. Any PRC tax liability may be reduced under applicable tax treaties or similar arrangements, but it is unclear whether our non-PRC ADS holders and shareholders would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such PRC tax liability will reduce the returns on your investment in our ADSs.

There are uncertainties with respect to indirect transfers of PRC taxable properties.

We face uncertainties on the reporting and consequences on private equity financing transactions, private share transfers and share exchange involving the transfer of shares in our company by non-resident investors. According to the Notice on Several Issues Concerning Enterprise Income Tax for Indirect Share Transfer by Non-PRC Resident Enterprises, issued by the State Taxation Administration on February 3, 2015 and last amended on December, 2019, or SAT Circular 7, an “indirect transfer” of assets of a PRC resident enterprise, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable properties, if such transaction lacks reasonable commercial purpose and was undertaken for the purpose of reducing, avoiding or deferring PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and tax filing or withholding obligations may be triggered, depending on the nature of the PRC taxable properties being transferred. According to SAT Circular 7, “PRC taxable properties” include assets of a PRC establishment or place of business, real properties in the PRC, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining if there is a “reasonable commercial purpose” of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable properties; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable properties have a real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable properties; and the tax situation of such indirect transfer outside China and its applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business of a foreign enterprise, the resulting gain is to be included with the annual enterprise filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to PRC real properties or to equity investments in a PRC resident enterprise, and the resulting gain is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the competent tax authority by itself within the statutory time limit. Currently, SAT Circular 7 does not apply to the sale of shares or ADSs by investors through a public stock exchange where such shares or ADSs were acquired in a transaction on a public stock exchange.

We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Any PRC tax imposed on a transfer of our shares not through a public stock exchange, or any adjustment of such gains may cause us to incur additional costs and may have a negative impact on the value of your investment in our company.

Implementation of the labor laws and regulations in China may adversely affect our business and results of operations.

Pursuant to the Labor Contract Law of PRC that took effect in January 2008, its implementation rules that took effect in September 2008 and its amendment that took effect in July 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. Due to lack of detailed interpretative rules and uniform implementation practices and broad discretion of the local competent authorities, it is uncertain as to how the labor contract law and its implementation rules will affect our current employment policies and practices. Our employment policies and practices may violate the labor contract law or its implementation rules, and we may thus be subject to related penalties, fines or legal fees. Compliance with the labor contract law and its implementation rules may increase our operating expenses, in particular our personnel expenses. 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 also 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 last amended in December 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.

We expect our labor costs to increase due to the implementation of these new laws and regulations. As the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed in full compliance with 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.

We have accrued in the financial statements but not made full contributions to the social insurance plans for employees as required by the relevant PRC laws and regulations. As of the date of this annual report, we are not aware of any outstanding notice from regulatory authorities or any outstanding claim or request from these employees in this regard.

Further, labor disputes, work stoppages or slowdowns at our company or any of our third-party service providers could significantly disrupt our daily operation or our expansion plans and have a material adverse effect on our business, financial condition and results of operations.

China's M&A Rules and certain other PRC regulations establish complex procedures for certain 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 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. Moreover, the PRC Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress, effective from 2008 and last amended in 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB12 billion and at least two of these operators each had a turnover of more than RMB800 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB4 billion, and at least two of these operators each had a turnover of more than RMB800 million within China) must be cleared by the anti-monopoly enforcement authority before they can be completed. In addition, in 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, also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, effective 2011, to implement 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 foregoing MOFCOM regulations, 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 MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the National Development and Reform Commission, and MOFCOM under the leadership of the State Council, to carry out security review. 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 the internet content 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.

In the future, we may 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 MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. We believe that it is unlikely that our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, 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 China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiary’s 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 Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

If our shareholders who are PRC residents or entities do not complete their registration under SAFE Circular 37, 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 described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. We have requested PRC residents who, to our knowledge, hold direct or indirect interest in us to make the necessary applications, filings and amendments as required under SAFE regulations. However, we may not at all times be fully aware or informed of the identities of all our shareholders or beneficial owners that are required to make such registrations, 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 residents or entities have complied with, and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries’ ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of our initial public offering to make additional capital contributions or loans to our PRC subsidiaries.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries, the VIEs and their subsidiaries. We may make loans to our PRC subsidiaries, the VIEs and their subsidiaries, or we may make additional capital contributions to our PRC subsidiaries.

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries, including from the proceeds of our initial public offering, are subject to PRC regulations. For example, none of our loans to a PRC subsidiary can exceed the difference between its total amount of investment and its registered capital approved under relevant PRC laws, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio and the loans must be registered with the local branch of SAFE and the competent development and reform commission in case of any debts of more than one year. Our capital contributions to our PRC subsidiaries must be reported to the MOFCOM or its local counterpart.

On March 30, 2015, SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect on June 1, 2015 and was last amended on December 30, 2019. On October 23, 2019, SAFE issued the Circular of Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, which took effect on October 23, 2019. Under SAFE Circular 19 and Circular 28, a foreign-invested enterprise, within the scope of business, may choose to convert its registered capital from foreign currency to RMB on a discretionary basis, and the RMB capital so converted can be used for equity investments within PRC, provided that certain requirements and procedures shall be complied with, which will be regarded as the reinvestment of foreign-invested enterprise. See “Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations Related to Foreign Exchange.”

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary registration or obtain the necessary approval on a timely basis, or at all. If we fail to complete the necessary registration or obtain the necessary approval, our ability to make loans or equity contributions to our PRC subsidiaries may be negatively affected, which could adversely affect our PRC subsidiaries’ liquidity and its ability to fund its working capital and expansion projects and meet its obligations and commitments.

Our PRC subsidiaries and PRC VIEs are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. The payment of dividends by our PRC subsidiaries and PRC VIEs is an important source of income for us to meet our financing need, and such payment is and may be subject to various restrictions. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated after-tax profits upon satisfaction of relevant statutory condition and procedures, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its accumulated profits each year, if any, to fund certain surplus or reserve funds until the total amount set aside reaches 50% of its registered capital. As of December 31, 2025, appropriations to statutory reserves amounting to RMB14.4 million were made by two of the variable interest entities and our PRC subsidiary. The reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries, the VIEs and their subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements. 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.

The PCAOB had historically been unable to inspect our former auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections.

Our auditor, 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. Our former auditor PricewaterhouseCoopers Zhong Tian LLP is located in mainland China, a jurisdiction where the PCAOB was historically unable to conduct inspections and investigations completely before 2022. As a result, we and investors in the ADSs were deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China in the past has made it more difficult to evaluate the effectiveness of our then independent registered public accounting firm’s audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determination and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Our current auditor, Enrome LLP, is headquartered in Singapore and subject to inspection by the PCAOB. Our current auditor was not among the PCAOB-registered public accounting firms headquartered in mainland China or Hong Kong that were subject to PCAOB’s determinations. Notwithstanding the foregoing, in the future, if it is determined that the PCAOB is unable to inspect or investigate our auditor completely, or the PCAOB expands the scope of its determinations so that we are subject to the HFCAA, as the same may be amended, you may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected or investigated by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in mainland China and Hong Kong that prevents the PCAOB from regularly evaluating our auditor’s audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate, which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities.

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

Pursuant to the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspections by the PCAOB for two consecutive years, the SEC will prohibit our shares or ADSs from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a report to notify the SEC of its determination that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong and our former auditor was subject to that determination. In May 2022, the SEC conclusively listed us as a Commission-Identified Issuer under the HFCAA following the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB removed mainland China and Hong Kong from the list of jurisdictions where it is unable to inspect or investigate completely registered public accounting firms. Our current auditor, Enrome LLP, is headquartered in Singapore and subject to inspection by the PCAOB. Our current auditor was not among the PCAOB-registered public accounting firms headquartered in mainland China or Hong Kong that were subject to PCAOB's determinations. As a result, we do not believe we are at risk of having our securities subject to a trading prohibition under the HFCAA unless a new determination is made by the PCAOB.

However, if the PCAOB determines in the future that it no longer has full access to inspect and investigate completely accounting firms in some jurisdictions and we use an accounting firm headquartered in one of these jurisdictions to issue an audit report on our financial statements filed with the Securities and Exchange Commission, we would be identified as a Commission-Identified Issuer following the filing of the annual report on Form 20-F for the relevant fiscal year. In accordance with the HFCAA, our securities would be prohibited from being traded on a national securities exchange or in the over-the-counter trading market in the United States if we are identified as a Commission-Identified Issuer for two consecutive years in the future. If our shares and ADSs are prohibited from trading in the United States, there is no certainty that we will be able to list on a non-U.S. exchange or that a market for our shares will develop outside of the United States. A prohibition of being able to trade in the United States would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with delisting would have a negative impact on the price of our ADSs. Also, such a prohibition would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition, and prospects.

Risks Related to Our Business and Industry

If we fail to retain our existing users, to keep them engaged, to further grow our user base or to increase paying ratio, our business, operation, profitability and prospects may be materially and adversely affected.

The size of our paying user base and the level of our user engagement are critical to our success. Our success in monetization primarily depends on our ability to maintain and increase the size of our paying user base and user engagement level. If our user base decreases or stops growing, our users become less active or interested, or the quality and quantity of our paying user base deteriorate, it is probable that they would spend less on our platforms or access our platforms less often in general. As a result, our business, financial condition and results of operations will be materially and adversely impacted.

Maintaining and improving the current size of paying user base and level of user engagement are critical to our continued success. To do so, we would have to ensure, among other things, that we adequately and timely respond to changes in user preferences, continue to provide user-friendly product features and improve user experience. For our online audio business, we would have to attract and retain popular hosts, and curate our hosts to offer new and high-quality features and content that attract new users while keep the existing users interested. For AI applications portfolio, we need to continuously enhance the performance, functionality and user experience of our AI applications, and ensure that our AI applications deliver accurate, reliable and valuable outputs that meet user expectations and use cases. There is no guarantee that we could meet all of these goals. A number of factors could negatively affect user retention, growth and engagement, including if:

- we fail to provide sufficient, high-quality user-generated audio content that keep our users interested and draw them to our platforms;
- we are unable to provide user-friendly experience to our hosts or users or continue innovating our products, including our AI applications, to improve user experience;

- we fail to identify key changes in user preferences in a timely manner or effectively respond to the changing user preferences;
- we fail to keep pace with changes in technologies, including advancements in artificial intelligence and voice-related technologies;
- technical or other problems prevent us from delivering our services, including AI-powered functionalities, in a rapid and reliable manner or otherwise adversely affect the user experience;
- we fail to comply with applicable laws and regulations, including those related to illegal or inappropriate content, as well as data privacy, data security and the use of artificial intelligence technologies;
- our hosts fail to keep our users engaged with our services or platforms;
- our AI applications fail to generate accurate, relevant or high-quality outputs, or fail to meet user expectations, which may reduce user trust and engagement;
- we are unable to effectively commercialize our online audio platforms and AI applications or convert users into paying users;
- we suffer from negative publicity, fail to maintain our brand or if our reputation is damaged;
- we fail to address user concerns related to privacy and communication, safety, security or other factors; and
- there are adverse changes in our services that are mandated by, or that we elect to make to address, legislation, regulations, government mandates or app store policies.

The PRC government may further tighten the regulation on online audio and entertainment platforms, which may materially and negatively affect our reputation, business, financial condition and results of operations.

The PRC government has closely regulated the online audio and entertainment platforms in the past and may continue to tighten the regulation and control on those platforms. In accordance with the Notice on Further Regulating the Order of Online Audio-Visual Program Dissemination, which was issued by State Administration of Press, Publication, Radio, Film and Television and became effective on March 16, 2018, online program service providers are forbidden to illegally seize, edit and adapt audio-visual programs, and online program service providers shall enhance management of certain audio-visual programs and naming and sponsorship of programs on their platforms. The provincial press, publication, radio and television administrative authorities shall supervise the local audio-visual program websites to further improve the program content monitoring system and ensure the online program service providers to fully implement the relevant requirements.

In August 2018, the National Office of Anti-Pornography and Illegal Publication, or the NOAPIP, the MIIT, the Ministry of Public Security, the Ministry of Culture and Tourism, the National Radio and Television Administration and the Cyberspace Administration of China jointly issued the Notice on Strengthen the Management of Live Streaming Service, which required a real-name registration system for users to be put in place by live streaming service providers. Under this real-name registration system, we validate the identity information of the registered users primarily based on their mobile numbers. We collect and process personal information in a lawful manner and on the basis of legitimate interests or the user's consent. For certain jurisdictions such as the PRC, we are not required to obtain information such as legal names, citizen identification cards or other personal information except for mobile numbers during the registration process to validate the identity information of our users who are not hosts. However, the PRC government may further tighten the real-name registration requirements or require us to implement a more thorough compulsory real-name registration system for all users on our platforms in the future. If we were required to implement a more rigid real-name registration system for users on our platforms, potential users may be deterred from registering with our platforms, which may in turn negatively affect the growth of our user base and prospect. Furthermore, on April 26, 2024, the Law of the PRC on the Protection of Minors (2024 Revision) took effect, which provides that, among others, live streaming service providers are not allowed to provide minors under age 16 with an online live streaming host account registration service, and must obtain the consent from parents or other guardians and verify the identity of the minors before allowing minors aged 16 or above to register live streaming host accounts.

We also do not have full control over the behaviors of our hosts and users and the content generated by them, and therefore cannot assure you that our platforms would not be misused by others to engage in illegal or inappropriate activities. Due to the uncertainty of the evolving regulatory regime in the PRC, we may be subject to tightened implementation of applicable regulations in the future and additional restrictive measures may be imposed upon our platforms. Such evolving changes in regulatory regime may adversely affect our results of operations. Accordingly, we may be required to change our business strategies, substantially change the functions of our products, impose restrictions on user behaviors and content creation, or adjust our monetization methods. Also, we cannot assure you that our new products or features will meet the requirements of governmental authorities in China in a timely manner, or at all.

Our use and provision of AI could lead to operational or reputational damage, competitive harm, legal and regulatory risk and additional costs.

Our business involves the use of artificial intelligence. The use of AI, a relatively new and emerging technology still in its early commercial stages, introduces additional risk, such as damage to our reputation, competitive position and business, legal and regulatory risks and additional costs. For example, if any of our employees, contractors, vendors or service providers use any third-party AI-powered software relating to our business or the services they provide to us, it may lead to the inadvertent disclosure of our confidential information. This could include the unintentional release of our data into publicly available third-party training sets, potentially undermining our ability to protect and enforce our intellectual property or confidential information, harming our competitive position and business.

Additionally, any content created by us using AI tools may not be subject to copyright protection which may adversely affect our intellectual property rights in, or ability to commercialize or use, any such content. For example, the output produced by AI tools may include information subject to certain rights of publicity or privacy laws or constitute an unauthorized derivative work of the copyrighted material used in training the underlying AI model, any of which could also create a risk of liability for us, or adversely affect our business or operations. To the extent that we do not have sufficient rights to use the data or other material or content used in or produced by the AI tools used in our business, or if we experience cybersecurity breaches or incidents in connection with our use of AI, it could adversely affect our reputation and expose us to legal liability or regulatory risk, including with respect to third-party intellectual property, privacy, publicity, contractual or other rights. Further, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively.

We may face significant challenges in ensuring that our AI-native products behave in a manner that is safe, reliable, and aligned with human values. As AI models grow more complex, there is an inherent risk that they may exhibit unintended behaviors, pursue goals misaligned with user or societal interests, or fail to perform as expected in high-stakes or novel situations. For example, advanced AI systems could develop emergent capabilities, such as strategic planning or deception, that were not anticipated during their development. Additionally, the rapid pace of AI progress may exacerbate safety risks, as competitive pressures or the deployment of untrustworthy AI systems by third parties could lead to harmful outcomes. If we are unable to address these safety challenges effectively, any real or perceived failures in the safety or alignment of our AI systems could result in reputational damage, regulatory scrutiny and a loss of user trust, all of which could materially and adversely affect our business, operations, and financial performance.

As the utilization of AI becomes more prevalent, we anticipate that it will continue to present new or unanticipated ethical, reputational, technical, operational, legal, competitive and regulatory issues, among others. We expect that such utilization of AI will require additional resources, including the incurrence of additional costs, to develop and maintain our platform offerings, services and features to minimize potentially harmful or unintended consequences, to comply with applicable and emerging laws and regulations, to maintain or extend our competitive position and to address any ethical, reputational, technical, operational, legal, competitive or regulatory issues which may arise as a result of any of the foregoing. As a result, the challenges presented with our use of AI could adversely affect our business, financial condition and results of operations.

Regulatory and legislative developments related to the use of AI could adversely affect our use and provision of AI-powered solutions in our products, services and business.

As the regulatory framework for machine learning technology, generative AI and automated decision making evolves, our business, financial condition and results of operations may be adversely affected. The regulatory framework for AI and similar technologies, and automated decision making, is changing rapidly. It is possible that new laws and regulations will be adopted in the United States and in non-U.S. jurisdictions, or that existing laws and regulations may be interpreted in ways that would affect our use and provision of AI-powered solutions in our products, services and business. We may not be able to adequately anticipate or respond to these evolving laws and regulations, and we may need to expend additional resources to adjust our offerings in certain jurisdictions if applicable legal frameworks are inconsistent across jurisdictions. In addition, because these technologies are themselves highly complex and rapidly developing, it is not possible to predict all of the legal or regulatory risks that may arise relating to our use of such technologies. Further, the cost to comply with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

We may have to change our business practices to comply with laws and regulations related to the use of AI. For example, our employees and personnel use generative AI technologies to perform their work. Our use of this technology could result in additional compliance costs, regulatory investigations and actions, and lawsuits. If we are unable to use generative AI, it could make our business less efficient and result in competitive disadvantages. Further, under privacy and data security laws as well as other obligations, we may be required to obtain certain consents to process personal data and our inability or failure to do so could result in adverse consequences. If we cannot use generative AI technologies or that use is restricted, our business may be less efficient, or we may be at a competitive disadvantage.

We may fail to attract, cultivate and retain talented and popular hosts, which may materially and negatively affect our user retention and thus our business and operations.

Certain hosts are able to attract a large follower base. Hosts are rewarded usually for their high-quality content, which are the primary contributors to user stickiness on our platforms and are hard to be replicated by other hosts. Certain of our top hosts received a large portion of their virtual gifts from a limited number of paying users.

Although we have signed contracts with some of our hosts or guilds that contain non-compete clauses, popular hosts may still choose to depart us when their contract period ends, and their departure may cause a corresponding decline in our user base. Sometimes, our hosts may leave us to join a competing platform, whereas hosts from a competing platform may also choose to join us, in both of which scenarios legal and commercial dispute may arise. These disputes may distract management and impose additional costs on us. Departures of our hosts, particularly popular hosts, will have a negative impact on our user retention and reputation which may be material to our operations. To retain popular hosts, we must devise better compensation schemes, improve our monetization capabilities and help the popular hosts reach a wider audience. Although we strive to improve ourselves in these respects, we cannot guarantee that our hosts will not leave us even if we do our best to retain them. We launched certain incentive programs to encourage content creation, enhance user spending and attract more hosts and users to our platforms, however, we cannot guarantee you that the hosts attracted to our platforms due to those incentive programs will remain active after we terminate such programs. We may continue to launch such incentive programs at our discretion in the future. However, we cannot assure you that such incentive programs will achieve the anticipated effect, or be effective at all. Our competitors may adopt similar incentive programs, and the incentive activities we provide to hosts may become less attractive, thereby impairing the effectiveness of our incentive program. Even if we continue to implement such incentive activities in the future, there is no guarantee that we will be able to attract or retain hosts through these activities. We may terminate such incentive programs in the future, which may discourage hosts from engaging with users on our platforms and therefore have an adverse impact on our results of operations. In the event we re-launch such incentive program in the future, there will be no assurance that it will achieve the anticipated effect to attract talents and enhance user spending.

Meanwhile, we strive to discover and cultivate promising hosts. We cannot guarantee that the performance metrics and technology we use to track promising hosts will enable us to identify future popular hosts. We have developed AI technologies to identify the audio content that may become a hit and discover those hosts with unique and high-quality content. Then we train those hosts with necessary skillsets and, sometimes via guilds, promote those hosts on our platforms. Some of the hosts we identify as promising may turn out to be underperforming, and we may also fail to spot truly promising hosts in early stages of their career. In addition to a waste of resources, either one of these scenarios could prevent us from cultivating top hosts, which could weaken our core competitive strength against competing platforms and thus cause an outflow of users to those platforms.

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

Our online audio platforms allow hosts to publish and users to listen to podcasts, participate in audio interactive activities and engage in interactions with each other. Our online audio platforms provide a virtual space for our users and hosts to discuss, share, comment and express themselves. Because we do not have timely or sufficient control over the activities conducted by our hosts and users and the content generated by them, our platforms may be misused by others to engage in illegal or inappropriate activities, or other activities that require permits, license or approval from the governmental authorities. If any illegal or unauthorized content is found on or linked to our platforms, we as the service provider may be held liable for infringement of the rights of our hosts or users or violation of relevant PRC laws and regulations. The government may impose other legal sanctions against us, including, in serious cases, suspending or revoking the licenses needed to operate our platforms.

We have deployed AI-backed technologies supplemented by a team primarily consisting of staff outsourced from third parties, to monitor content for any illegal, fraudulent or inappropriate content or activities on our platforms. See “Item 4. Information on the Company—4.B. Business Overview—Content Moderation.” If our AI system fails to interpret true and improper meaning of certain content, or if our monitoring team draws incorrect decision as to legality of certain content, illegal or unauthorized content may become accessible to our users via our platforms and expose us to various risks which may materially and adversely impact our business, financial condition and results of operations. Despite our efforts to monitor content on our platforms and the actions of the hosts and users, our platforms were previously subject to restrictive measures taken by the government authority in the past for insufficient monitoring system. As a result of such incidents, we have adopted a more stringent content monitoring system to meet the tightened regulatory standards and to screen and remove all inappropriate content stored on our platforms. See “—The PRC government may further tighten the regulation on online audio and entertainment platforms, which may materially and negatively affect our reputation, business, financial condition and results of operations.” However, we cannot assure you that our content monitoring system is sufficient to detect all improper or illegal content or activities in the future. We can neither assure you that we will not be subject to fines and other penalties in the future for improper or illegal content or activities on our platforms.

We may also face tortious liabilities to third party for infringement of their rights. See “—We may be liable for intellectual property infringement relating to intellectual properties of third parties, which may materially and adversely affect our business, financial condition and prospects” and “—We may be held liable for information or content displayed on, retrieved from or linked to our platforms, if such content is deemed to violate any PRC laws or regulations, or for improper or fraudulent activities conducted on our platforms, and PRC authorities may impose legal sanctions on us and our reputation may be damaged.”

We may fail to offer attractive audio content on our platforms.

In response to users' growing interests, we have been devoted to expanding and diversifying our content offerings. If we fail to continue to expand and diversify our audio content offerings, identify trending and popular genres, or maintain the quality of our content, we may experience decreased user traffic and engagement, which may materially and adversely affect our business, financial condition and results of operations.

In addition, we largely rely on our hosts to create high-quality audio content as almost all of our audio content offerings are generated by hosts. We have in place a revenue sharing mechanism to encourage hosts to supply content that are attractive to our users. However, we may not be able to provide the most competitive compensation to hosts under this mechanism. We launched certain incentive programs to encourage content creation, enhance user spending and attract more hosts and users to our platforms, however, we cannot guarantee you that the hosts attracted to our platforms due to those incentive programs will remain active after we terminate such programs. For details, please refer to “—We may fail to attract, cultivate and retain talented and popular hosts, which may materially and negatively affect our user retention and thus our business and operations.” If we fail to observe the latest trends and timely guide hosts and guilds accordingly, or fail to attract or maintain a good relationship with hosts who are capable of creating content based on popular genres, or if hosts fail to produce popular content, our user base may decline and our business, financial condition and results of operations may be materially and adversely affected.

We have incurred net losses in the past, and we may incur losses in the future.

We incurred a net loss of RMB81.0 million in 2024. Although we recorded a net income of RMB220.7 (US\$31.6 million) in 2025, there is no guarantee that we will be able to sustain profitability or avoid incurring net losses in the future.

Our ability to sustain profitability is affected by various external factors, many of which are beyond our control, including the continued development of the online audio industry and the evolving landscape of AI-related businesses worldwide. We cannot assure you that we will be able to improve or sustain our profitability in the future.

We may incur losses again in the future due to our continued investment in services, products, technologies, research and development and our continued sales and marketing initiatives. Changes in the macroeconomic and regulatory environment or competitive dynamics and our inability to respond to these changes in a timely and effective manner may also impact our profitability. Accordingly, we cannot assure you that our company will be able to sustain profitability in the near term.

Our operating history in evolving markets and our expansion into relatively new AI application businesses could make it difficult to evaluate our business and growth prospects.

We launched our first app, LIZHI App, in 2013 and have developed other products during the past years. The average total mobile MAUs was 29.3 million in 2025, compared to 34.2 million in 2024 and 43.3 million in 2023. The average total monthly paying users was 405.0 thousand in 2025, compared to 391.3 thousand in 2024 and 418.3 thousand in 2023. The decrease in our average total mobile MAUs and the increase in our average total monthly paying users in 2025 as compared to 2024 were primarily due to adjustments to our user acquisition and operational strategies, as well as a strategic shift in our business focus toward higher-quality user growth and monetization models. However, our historical performance may not be indicative of our future results.

In addition, we have been expanding into AI applications, which represent a relatively new and rapidly evolving business area for us. Our AI applications may require significant investments in technology, product development, and user acquisition, and may be subject to uncertainties relating to product-market fit, user adoption, monetization models and regulatory developments. There can be no assurance that our AI applications will achieve commercial success or generate sustainable revenue or profitability.

Many elements of our business, particularly our AI-driven products and technologies, continue to evolve. While the online audio industry in China is increasingly established, both the online audio and AI application markets remain highly competitive and subject to significant challenges, including maintaining a stable paying user base, attracting new paying users, and complying with evolving regulatory requirements. There is no guarantee that we will be able to successfully adapt to these changes.

While the online audio industry has developed over time, there remain uncertainties in predicting user demand and evolving monetization models, particularly in a highly competitive and regulated market. In addition, our AI applications are at an early stage of commercialization, and there are limited established industry standards for AI-driven consumer applications. We have explored and will continue to explore new monetization methods and user retention strategies across both our online audio and AI application businesses, which may or may not be successful.

Our growth prospects should be considered in light of the risks and uncertainties that companies expanding into new and evolving business areas may encounter, including, among others, risks and uncertainties regarding our ability to:

- develop new monetization methods across our businesses;
- provide new content and AI-driven features that are appealing to our users;
- achieve product-market fit and commercialization success for our AI applications;
- adapt to and comply with the evolving regulatory frameworks, including those relating to artificial intelligence technologies;
- compete with other innovative forms of online audio and AI-driven applications for our users' time and spending;
- maintain stable relationships with popular hosts; and
- expand to new geographic markets with high growth potential.

Addressing these risks and uncertainties will require significant capital expenditures and allocation of valuable management and employee resources. If we fail to successfully address any of the above risks and uncertainties, the size of our user base, our revenue and operating margin may decline.

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

The internet industry in China is highly regulated, which requires certain licenses, permits, filings and approvals to conduct and develop business. Currently, the VIEs have obtained valid ICP License for provision of internet information services, Internet Culture Operation License for operating online music products and online performances, Radio and Television Program Production and Operating Permit for producing radio program through our PRC VIEs. We have also been accepted to register on National Internet Visual-Audio Platform System.

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

To expand our business scope and explore innovative business models, we have adopted and will continue to adopt various operating strategies and measures. Due to the uncertainties of interpretation and application of pertinent laws by the government authority, we cannot guarantee that such strategies and measures will not be challenged under PRC laws and regulations and if so, relevant PRC government authorities may issue warnings, order us to rectify our violating operations and impose fines on us. In the case of serious violations as determined by relevant authorities at their discretion, they may ban the violating operations, seize our equipment in connection with such operations, impose a fine or revoke the license, which may materially and adversely affect our business.

On May 14, 2019, the Internal Office of Department of Culture and Tourism issued a notice that local culture and tourism authority will no longer be in charge of issuing approvals for Internet Culture Operation License to companies with the business scope in online gaming and publication of virtual currency. It is not clear from this notice or other applicable laws and regulations whether a second government office will regulate the online gaming and publication of virtual currency by form of an approval license or other methods. Our Internet Culture Operation Licenses were renewed and remain effective as of the date of this annual report. We currently plan to apply for permit or approval on virtual currency operation from the applicable authority once the regulatory body is clarified.

Moreover, according to the Measures for Online Publication Service Administration, or Online Publication Measures, which was jointly promulgated by the SAPPRFT and Ministry of Industry and Information Technology of the PRC, or the MIIT, came into effect on March 10, 2016, or Online Publication Measures, an Online Publishing Service License is required for the provision of online publishing services. Currently, we allow hosts to upload their recorded podcasts on our platforms, which may be considered as the “internet publications.” As of the date of this annual report, we have not obtained an Online Publishing Service License. However, we have been accepted to register on National Internet Visual-Audio Platform System and enterprises having obtained such registration in practice have been in the past tolerated by SAPPRFT to operate in online visual-audio business without such Online Publishing Service License. If the relevant PRC government authority decides that we are operating without the proper license, we may be subject to penalties such as shutting down of the website, deletion of all relevant online publications, confiscation of income and major equipment and special tools relating to podcasts operation, fines or other penalties. As the internet industry in China is still at a relatively early stage of development, new laws and regulations may be adopted from time to time to address new issues that come to the authorities’ attention. Uncertainties still exist with respect to the interpretation and implementation of existing and future laws and regulations governing our business activities. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws or regulations currently in effect due to changes in the relevant authorities’ interpretation of these laws and regulations.

Uncertainties exist in relation to the interpretation and implementation of existing and future laws and regulations governing online education businesses in China. For example, on April 7, 2021, the State Council published the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (2021 revision), which became effective on September 1, 2021. It remains uncertain whether and how local governments would promulgate rules related to the licensing requirement applicable to online education services. Furthermore, on July 24, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Further Reducing Homework and Off-Campus Training Burden for Students in Compulsory Education Stage, or the Opinions. Pursuant to the Opinions, a series of restrictions have been imposed on training institutions providing subject-based after-school tutoring for students during compulsory education stage, or the disciplinary training institutions, including but not limited to (i) the existing disciplinary training institutions shall be registered as non-profit institutions in a unified manner; (ii) no disciplinary training institution may raise funds by listing on the stock market, and it shall be strictly prohibited from capitalization operation; (iii) a system for record-filing and supervision of training contents is imperative to be established; and (iv) non-disciplinary training institutions are strictly prohibited from engaging in disciplinary training or providing overseas education courses. Although we do not expect the audio content provided on our platform, such as certain audioized picture books, to fall under these regulatory requirements, there remains uncertainty as to how the new regulation will be implemented. If we were to be required to effect further operational adjustment by regulatory authorities for compliance reasons, our results of operations could be harmed. We may be found in violation of any future laws and regulations or the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. Failure to comply with these regulatory requirements or promptly complete filings or obtain the regulatory licenses may subject us to fines, regulatory orders to suspend our relevant operations or other regulatory and disciplinary sanctions. Any such penalties or changes in policies, regulations or enforcement by government authorities, may disrupt our operations and materially and adversely affect our business, financial condition and results of operations.

As of the date of this annual report, we have not been subject to any material penalties from the relevant government authorities for failure to obtain any licenses for our business operations in the past. We cannot assure you, however, that the government authorities will not do so in the future. In addition, we may be required to obtain additional license or permits, and we cannot assure you that we will be able to timely obtain, maintain or renew all the required licenses or permits or make all the necessary filings in the future. If we fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed 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.

Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our user and customer base, or our ability to increase their level of engagement.

Our business and financial performance are highly dependent on the strength and the market perception of our brand and services. A well-recognized brand is critical to increasing our user base and, in turn, facilitating our efforts to monetize our services and enhancing our attractiveness to customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. From time to time, we conduct marketing activities across various media to enhance our brand and to guide public perception of our brand and services, and may further increase our marketing expenditures in the future. Also, we must continuously exercise strict quality control of our platforms to ensure that our brand image is not tarnished by substandard products or services. We must also find ways to distinguish our platforms from those of our competitors. If for any reason we are unable to maintain and enhance our brand recognition, or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

In addition, we must actively protect and maintain the legal ownership of our trademarks under which we market our brand and operate our platforms and business. Any failure to register or maintain the registration of our trademarks in any geographic region in which we operate our business may result in an adverse and material effect on our operation and financial conditions. We currently have pending trademark applications that may be subject to governmental scrutiny or third-party objection. Although we have taken measures to reduce our risks of infringement, we cannot assure you that we would not be subject to trademark infringement claims due to such trademark uses by us, or that we have duly registered all the trademarks necessary for our operations with competent governmental authorities. We may also be subject to other intellectual property infringement claims. As competition intensifies and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of intellectual property infringement claims.

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

We may not effectively achieve our rapid growth in the past or manage the associated expenditures, and our brand, business and results of operations may be materially and adversely affected.

We have experienced a period of significant rapid growth and expansion at the early stage of our development that impose a challenge on our management to maintain such growth in the future. In recent years we continued to actively expand and evolve our business operation worldwide. However, given our limited operating history and the rapidly evolving market in which we operate, we may encounter difficulties as we establish and expand our operations, research and development, sales and marketing, and general and administrative capabilities. We cannot assure you that level of growth in the past will be sustainable or achieved at all in the future. We believe that our continued growth will depend on our ability to attract and retain users and high quality hosts, develop an infrastructure to service and support an expanding body of users and hosts, explore new monetization avenues, adapt to and comply with evolving regulatory frameworks, convert non-paying users to paying users, increase user engagement level and compete effectively in the online audio and AI application markets. We cannot assure you that we will be successful with any of the above.

To achieve growth and improve profitability, we expect our costs and expenses to increase in the future as we anticipate that we will need to continue to implement, from time to time, a variety of new and upgraded operational, informational and financial systems, procedures and controls on an as-needed basis. We will also need to further expand, train, manage and motivate our workforce and manage our relationships with hosts and users. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures. Achieving and managing growth could end up straining our ability to maintain reliable service levels for all of our users and hosts, develop and improve our operational, financial, legal and management controls, and enhance our reporting systems and procedures. Managing our growth will require significant expenditures and the allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, operating results and financial condition could be harmed.

Our existing revenue model may not remain effective and our business may suffer if we fail to successfully implement our monetization strategies.

Certain of our apps are free to access, and we generate a significant portion of our net revenues from value-added services, including virtual gift sales. Our revenue from these services is affected by our ability to increase user engagement and convert non-paying users into paying users, which in turn depends on our ability to cultivate and maintain hosts, provide high-quality content and interactive features, and grow our user base. Separately, we have expanded our monetization models to include subscription-based services through our AI applications, which may not be free to access. The success of these subscription-based services depends on our ability to develop compelling features, achieve user adoption, and effectively monetize our AI applications.

If we are not successful in enhancing our ability to monetize our existing services or developing new approaches to monetization, we may not be able to maintain or increase our revenues and profitability or recover any associated costs. We monitor market developments and may adjust our monetization strategies from time to time, which may result in decreases in our overall revenue or in the revenue contributions from certain monetization channels. In addition, we may introduce new services to further diversify our revenue streams, including services with which we have limited or no prior development or operating experience. If these new or enhanced services fail to attract and retain users or fail to achieve sufficient user adoption or monetization, we may not generate sufficient revenues to justify our investments, and our business and operating results may be adversely affected.

We mainly compete with other online audio and entertainment platforms. If we are unable to compete effectively, our business and operating results may be materially and adversely affected.

Our major competitors include other online audio and entertainment platforms with an established presence in the industry, and competition in our industry remains intense. As it is unlikely that users will listen to audio programs on two platforms simultaneously, and certain top hosts sign exclusive contracts with only one platform, we compete mainly for user traffic and top hosts. If we are not able to effectively compete with our competitors, our overall user base and level of user engagement may decrease, which may result in loss of top hosts to other platforms.

To better compete with competitors which may have more cash, traffic, technological advantages, top hosts, business networks and other resources than us, we may be required to spend additional resources, which may adversely affect our profitability. Furthermore, if we are involved in disputes with any of our competitors that result in negative publicity to us, such disputes, regardless of their veracity or outcome, may harm our reputation or brand image and in turn lead to reduced number of users and hosts. Our competitors may unilaterally decide to adopt a wide range of measures targeted at us, including approaching our top hosts, filing complaint against our platforms to remove our apps from application stores, or even attacking our platforms. Any legal proceedings or measures we take in response to competition and disputes with our competitors may be expensive, time-consuming and disruptive to our operations and divert our management's attention.

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

- the popularity, usefulness, ease of use, performance and reliability of our services compared to those of our competitors, and the research and development abilities of us and our competitors;
- the unique content, services, products and interactive community we offer on our platforms that distinguish ourselves from other competing platforms;
- changes mandated by, or that we elect to make to address, legislation, regulations or government policies, some of which may have a disproportionate effect on us;
- acquisitions or consolidation within our industry, which may result in more formidable competitors; and
- our reputation and brand strength relative to our competitors.

In addition, our users have a vast array of entertainment choices. Other forms of entertainment, such as online video streaming, social networking, traditional PC and console games, as well as more traditional mediums such as television, movies and sports, are much more well-established in mature markets and may be perceived by our users to offer greater variety, affordability, interactivity and enjoyment. Our platforms compete against these other forms of entertainment for the discretionary time and spending of our users. If we are unable to sustain sufficient interest in our platforms in comparison to other forms of entertainment, including new forms of entertainment that may emerge in the future, our business model may no longer be viable.

Our revenue growth is heavily dependent on our paying user base. If we fail to grow our paying user base, our revenue may not increase, which may materially and adversely affect our business operation and financial results.

The average total monthly paying users on a yearly basis was 418.3 thousand in 2023, 391.3 thousand in 2024, and 405.0 thousand in 2025. The increase from 2024 to 2025 was primarily due to adjustments to our user acquisition and operational strategies, as well as a strategic shift in our business focus toward higher-quality user growth and monetization models. Whether we can grow our paying user base in the future depends on many factors, and many of them are out of our control. For example, our paying users may have less disposable income as they need to meet financial obligations elsewhere, they may decide to no longer support a particular host that they used to follow financially, and an overall worsening economic condition can lower disposable income for all existing paying users, causing them to spend less on our online audio platforms or discontinue their subscriptions to our AI applications.

Our paying user base includes users who make purchases through value-added services, such as virtual gift purchases, as well as users who subscribe to our AI applications. The growth and retention of these different types of paying users are subject to different factors. In particular, our subscription-based users may be more sensitive to the perceived value, functionality and pricing of our AI applications, and their willingness to pay may be affected by the availability of alternative products or competing services.

We expect that our business will continue to be heavily dependent on revenue collected from paying users in the near future. Any decline in the number or quality of our paying user base or our paying ratio may materially and adversely affect our results of operations and financial results. See “—Our existing revenue model may not remain effective and our business may suffer if we fail to successfully implement our monetization strategies.”

In addition, a material portion of our revenue is contributed by a limited number of key paying users. If we fail to retain such key paying users or maintain their spending on our platforms, our operations and financial results may be materially and adversely affected.

We cooperate with various guilds to cultivate and organize our hosts. If we are not able to maintain our relationship with guilds, our operations may be materially and adversely affected.

We cooperate with guilds to cultivate and organize hosts on our platforms. As we are open platforms that welcome all hosts to register on our websites, we believe cooperation with guilds increases our operational efficiency in terms of discovering, supporting and managing hosts in a more organized and structured manner.

We pay our hosts and their guild fees determined based on a percentage of revenue from virtual gift sales that is attributed to the hosts' programs according to the three-party contractual arrangements among us, hosts and their guilds. From time to time, there may be contractual disputes between hosts, guilds and/or us or involving a third party. Any such disputes may not only be costly and time-consuming to solve, but may also be detrimental to the quality of the content produced by our hosts, causing our hosts or guilds to leave our platforms, decrease user engagement on our platforms or otherwise adversely affect our business, financial condition and results of operations. In addition, many of those contractual arrangements with guilds are not exclusive. If we are not able to maintain our relationship with guilds, they may choose to devote their resources to hosts who release programs on the other platforms, or they may encourage their hosts to use other platforms, which could materially and adversely affect our business, financial condition and results of operations.

We may be liable for intellectual property infringement relating to intellectual properties of third parties, which may materially and adversely affect our business, financial condition and prospects.

We do not have full control over how and what the creators of our content will share, display on or link to our platforms. As substantially all of our content is generated by users who can be any person registered on our platforms, we do not have the capacity or resources to verify the originality of each content uploaded to our platforms or distinguish if proper license has been obtained or not with respect to any given content. We have been and may continue to be subject to intellectual property infringement claims by third parties for services we provide or for content displayed on, retrieved from, linked to, recorded, stored or made accessible on our platforms, which may materially and adversely affect our business, financial condition and prospects. Although those allegations arise out of individual behaviors, platforms as service providers are often sued or investigated for any potential liabilities or misbehaviors. Under relevant PRC laws and regulations, internet service providers, which provide storage space for users to upload works or links to other services or content, could be held liable for copyright infringement under various circumstances, including situations where the internet service provider knows or should reasonably have known that the relevant content uploaded or linked to on its platform infringes upon the copyright of others and the internet service provider failed to take necessary actions to prevent such infringement, such as deletion, blocking or disconnection. Under the Civil Code of the PRC with effect from January 1, 2021 and the Regulation on the Right to Communicate Works to the Public Over Information Networks, if an internet user infringes the civil rights, right to communicate works to the public over information networks or interests of another through using the internet, the person whose rights are infringed has the right to notify and request the internet service provider on which the infringement allegedly takes place to take necessary measures including the deletion, blocking or disconnection of an internet link. 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. In addition, if there is no evidence indicating that an internet service provider clearly knows the facts of infringement, or the internet service provider has taken measures to disconnect or remove relevant content after receiving notification from the owner, the internet service provider shall not be liable for compensation liability. Such defense is also referred to as the "safe harbor exemption." However, the court practice is currently unclear whether or to what extent a platform would be liable for the unauthorized content performed or presented by hosts.

In addition, we cannot assure you that other aspects of our operations do not or will not infringe upon or violate intellectual property rights (including but not limited to trademarks, patents, copyrights, know-how) or other rights (including but not limited to portrait right) owned or held by third parties. We have been involved in claims against us alleging our infringement of third-party intellectual property rights on certain computer software. Any such intellectual property rights infringement claim could result in costly remedial measures and may adversely affect our business and financial condition.

Furthermore, companies in the internet, technology and media industries are frequently involved in litigations based on allegations of infringement of intellectual property, unfair competition, invasion of privacy, defamation and other violations of other parties' rights. Also, in China, as the internet-related industries have a relatively recent history and are constantly changing, the regulatory regimes on protection of intellectual property rights in internet-related industries, especially in our evolving online audio industry, are uncertain and still evolving. As we face increasing competition and as litigation becomes a more common method for resolving commercial disputes in China, we face a higher risk of being the subject of intellectual property infringement claims or other legal proceedings.

We have adopted systematic methods to reduce our exposure to the risks of intellectual property infringement claims. Under our agreements with hosts, we are the owner of the intellectual property arising out of podcasts generation and live streaming activities on our platforms. When users register on our platforms, they agree to our standard agreement, under which they agree not to disseminate any content infringing on third-party copyright. We also require users to acknowledge and agree that they will not upload or perform content which may infringe upon others' copyrights. However, we have historically allowed users to upload content without going through the registration process, and our platforms have, over the years, accumulated user-generated content for which users may not have obtained proper and complete copyright licenses. It is challenging for us to accurately identify such content and verify if proper license is obtained in each case. We also develop AI-backed technologies combined with manual supervision to screen for improper or illegal use of our platforms. We implant the "complaint" button on our operation interface which allows users to inform us of any risky or problematic content they are aware of. We also implement policies to take down content that has allegedly infringed a third party's right in a timely manner to be eligible to invoke the safe harbor exemption for service providers. Our platforms also have procedures in place to block blacklisted users from uploading content for a temporary period of time or permanently. However, we cannot assure you those methods are sufficient to shield us from third party liabilities for intellectual property infringement, or our efforts will be considered favorably by a given court or relevant governmental authority. Liabilities for intellectual property infringement, or allegations of such infringement, may impose a burden on our management, cause penalties, lead to unfavorable media coverage and damage to our reputation, or even cause PRC authorities to impose sanctions on us, including, in serious cases, suspending our operation, which may materially and adversely affect our business, financial condition and prospects.

We may be held liable for information or content displayed on, retrieved from or linked to our platforms, if such content is deemed to violate any PRC laws or regulations, or for improper or fraudulent activities conducted on our platforms, and PRC authorities may impose legal sanctions on us and our reputation may be damaged.

Our online audio platforms enable users to exchange information, generate content, advertise products and services, and engage in various other online activities. Although real-name registration is required for hosts by our platforms based on their citizen identity card and other identification information, we may not be able to verify the identity information provided by our hosts as true and accurate. For registration of users before they become hosts, we verify identities primarily based on verification text messages sent to their mobile devices, which may not always be reliable. Hosts and users may engage in illegal conversations or activities, including the publishing of inappropriate or illegal content on our platforms that may be unlawful under PRC laws and regulations.

We require users to agree to our terms of service upon account registration. Our terms of service set out types of content strictly prohibited on our platforms, and we have also developed a content monitoring system. See "Item 4. Information on the Company—4.B. Business Overview—Content Moderation." However, although we use our best efforts to monitor content on our platforms, it is impossible for us to detect every incident of inappropriate content on our platforms due to the immense quantity of user-generated content on our platforms. Our monitoring system, which is comprised of AI-backed technologies and manual scrutiny, may not detect each and every misconduct or illegal or inappropriate content. See "—Our content monitoring system may not be effective in preventing misconduct by our platforms' users and misuse of our platforms and such misconduct or misuse may materially and adversely impact our business, financial condition and results of operations."

If we are deemed to have facilitated the appearance of inappropriate content placed by third parties on our platforms under PRC laws and regulations, we may be subject to fines or other disciplinary actions, including in serious cases suspension or revocation of the licenses necessary to operate our platforms, imposed by court or government authority. We had the experience in the past of being suspended or fined by a local government authority and reported by media for improper content on our platforms. Our apps had been removed from the app stores for inappropriate content placed by third parties on our platforms. See "—The PRC government may further tighten the regulation on online audio and entertainment platforms, which may materially and negatively affect our reputation, business, financial condition and results of operations" and "—Our content monitoring system may not be effective in preventing misconduct by our platforms' users and misuse of our platforms and such misconduct or misuse may materially and adversely impact our business, financial condition and results of operations."

Meanwhile, we may face claims for fraud, defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platforms. In addition, if any third party suffers or alleges to have suffered physical, financial or emotional harm following contact initiated on our platforms or after hearing unsettling, inappropriate, fraudulent or misleading content that our content monitoring system failed to filter out, or if any third party suffers or alleges to have suffered damages as a result of improper or fraudulent activities on our platforms, we may face civil lawsuits or other liabilities initiated by the affected third party, or governmental or regulatory actions against us.

In response to allegations of illegal or inappropriate activities conducted through our platforms or any negative media coverage about us, PRC government authorities may hold us liable for non-compliance with PRC laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue some of the features and services provided on our website and mobile application, or even revoke our licenses or permits to provide internet content service. Defending any such actions could be costly and require significant time and attention of our management and other resources, and may cause damages to our reputation, which would materially and adversely affect our business.

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

We rely on third-party mobile application distribution channels such as Apple's App Store, various Android's App Stores and other channels to distribute our mobile application to users. We expect a substantial number of downloads of our mobile application will continue to be derived from these distribution channels. As such, the promotion, distribution and operation of our applications are subject to such distribution platforms' standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. If Apple's App Store or any other major distribution channels interpret or change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected. We have experienced in the past removal or suspension of our apps by mobile application stores for reasons such as government scrutiny on our business or industry or enhanced compliance requirements by such third-party platforms. We cannot assure you that our apps will not be removed again by a third party mobile application distribution channel in future and our business operation, reputation and financial conditions may be negatively affected. In addition, we may rely on such third party platforms as our payment channels including through in-app purchases. Any suspension or removal of our apps from these platforms may result in material adverse impact on our results of operations due to the unavailability of such payment channels.

Increases in the costs in relation to content creators, such as higher hosts' compensation and costs of discovering and cultivating a top host, may have an adverse effect on our business, financial condition and results of operations.

We depend upon content creators, i.e., our podcasts and live streaming hosts, to continuously provide a large variety of high-quality content on our platforms, which is a key factor of engaging and satisfactory user experience that ensures long-term user stickiness. We also rely on our interactive audio products hosts to provide fun and engaging experience to users of our interactive audio products. On one hand, we discover, curate and cultivate top hosts who self-register on our platforms as a host. On the other hand, we compete with other audio platforms for active, popular or celebrity hosts. To attract and retain top hosts and maintain the high level of content quality, we enter into contracts with our hosts under which such hosts are usually paid a certain percentage of the sales of virtual gifts or currency that they receive. The compensation to and the cost to discover, train and develop a top host may increase as the competition intensifies. If our content creators become too costly, we will not be able to produce high quality content at commercially acceptable costs. If our competitors' platforms offer higher revenue sharing percentage with an intent to attract our popular hosts and content creators, costs to retain such hosts and content creators may increase. We launched certain incentive programs to encourage content creation, enhance user spending and attract more hosts and users to our platforms, however, we cannot guarantee you that the hosts attracted to our platforms due to those incentive programs will remain active after we terminate such programs. For details, please refer to "—We may fail to attract, cultivate and retain talented and popular hosts, which may materially and negatively affect our user retention and thus our business and operations." Furthermore, as our business and user base further expands, we may have to devote more resources in encouraging our hosts to produce content that meets the evolving interests of a diverse user base, which would increase the costs of content on our platforms. If we are unable to generate sufficient revenues that outpace our increased costs in relation to content creators, our business, financial condition and results of operations may be materially and adversely affected.

Any compromise to the cyber security of our platforms could materially and adversely affect our business, reputation and results of operations.

On November 7, 2016, the Standing Committee of the National People’s Congress released the Cyber Security Law, which took effect on June 1, 2017, and was further amended and enacted on January 1, 2026. The Cyber Security Law requires network operators to fulfill certain obligations to safeguard security in the cyberspace and enhance network information management.

On August 17, 2021, the State Council promulgated the Regulations on Key Information Infrastructure Security Protection, which has become effective on September 1, 2021. On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Data Security Law, effective on September 1, 2021. On August 20, 2021, the Standing Committee of the National People’s Congress promulgated the PRC Personal Information Protection Law, which took effect on November 1, 2021. On October 16, 2023, the State Council promulgated the Regulation on the Protection of Minors in Cyberspace, which took effect on January 1, 2024. These newly promulgated laws and regulations reflect PRC government further attempts to strengthen the legal protection for the national network security, data security, the security of key information infrastructure and the security of personal information protection. See also “—Our business is subject to complex and evolving Chinese and international laws and regulations, including those regarding data privacy and cybersecurity. Many of these laws and regulations are subject to change and uncertain interpretation” and “—The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.”

Our products and services are generally provided through the internet and involve the storage and transmission of users’ information. Any security breach would expose us to a risk of loss of information and result in litigation and potential liability. As the techniques used to obtain unauthorized access, disable or degrade online or sabotage operating systems change frequently and often are not recognized until launched against a target, we may not be able to anticipate such techniques or implement adequate preventative measures. All of our user data is encrypted and saved in different places within our internal servers rather than client-based servers, protected by access control, and further backed up in our long-distance disaster recovery system, so as to minimize the possibility of data loss or breach. Upon a security breach, our technical team will be notified immediately and coordinate with the local supporting staff to diagnose and solve the technical problems. As of the date of this annual report, we have not experienced any material incidents of security breach.

Despite the security measures we have implemented, our facilities, systems and procedures and those of our third-party providers, may be vulnerable to security breaches, act of vandalism, software viruses, misplaced or lost data, programming or human errors or other similar events which may disrupt our delivery of services or expose the confidential information of our users and others. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, we may lose current and potential users and may be exposed to legal and financial risks, including legal claims, regulatory fines and penalties, which in turn could adversely affect our business, reputation and results of operations.

Spammers and malicious software and applications may affect user experience, which could reduce our ability to attract users and advertisers and materially and adversely affect our business, financial condition and results of operations.

Spammers may use our platforms to send spam or illegal messages to users, which may affect user experience. As a result, our users may reduce using our products and services or stop using them altogether. In spamming activities, spammers typically create multiple user accounts for the purpose of sending a high volume of repetitive messages. Although we attempt to identify and delete accounts created for spamming purposes, we may not be able to effectively eliminate all spam messages from our platforms in a timely fashion. Any spamming activities could have a material and adverse effect on our business, financial condition and results of operations.

In addition, malicious software and applications may interrupt the operations of our platforms and pass on such malware to our users and hosts which could adversely hinder user experience. Although we have been successfully blocking these attacks in the past, we cannot guarantee that this will always be the case, and in the incident if users experience a malware attack by using our platforms, our users may associate the malware with our websites or mobile apps, and our reputation, business, financial condition and results of operations would be materially and adversely affected.

Our operations mainly depend on the performance of the internet infrastructure, fixed telecommunications networks and mobile operating systems in China, which may experience unexpected system failure, interruption, inadequacy or security breaches.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology, or the MIIT. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage. If we cannot increase our capacity to deliver our online services, we may not be able to the increases in traffic we anticipate from user base, and the adoption of our services may be hindered, which could adversely impact our business, financial condition and results of operations.

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

The proper functioning of our platforms are essential to our business. Any disruption to our IT systems could materially affect our ability to maintain the satisfactory performance of our platforms.

The proper functioning of our platforms are essential to our business. The satisfactory performance, reliability and availability of our IT systems are critical to our success and our ability to provide content to attract and retain users.

Our technology or infrastructure may not function properly at all times. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems could result in the unavailability or slowdown of our platforms and the attractiveness of content provided on our platforms. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website or mobile app slowdown or unavailability or loss of data. Any of such occurrences could cause severe disruption to our daily operations. As a result, our reputation may be materially and adversely affected, our market share could decline and we could be subject to liability claims.

We use third-party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in adverse publicity and a slowdown in the growth of our users, which could materially and adversely affect our business, financial condition and results of operations.

Our business depends upon services provided by, and relationships with, third parties. We currently engage third-party service providers in certain areas of our operation such as monitoring of audio content on our online audio platforms. If such third-party service providers fail to detect the illegal or inappropriate activities or content in our online audio platforms, we may be subject to regulator's disapproval or penalties as well as adverse media exposure which could materially and adversely affect our business, financial condition and results of operations. In addition, some third-party software we use in our operations is currently publicly available without charge. If the owner of any such software decides to make claims against us, charge users, or no longer makes the software publicly available, we may need to enter into settlement with such owners, incur significant cost to license the software, find replacement software or develop it on our own. If we are unable to find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

Our overall network relies on bandwidth connections provided by third-party operators and we expect this dependence on third parties to continue. The networks maintained and services provided by such third parties are vulnerable to damage or interruption, which could impact our business, financial condition and results of operations. See “—Our operations mainly depend on the performance of the internet infrastructure, fixed telecommunications networks and mobile operating systems in China, which may experience unexpected system failure, interruption, inadequacy or security breaches.”

We also depend on the third-party online payment systems for sales of our products and services. If any of these third-party online payment systems suffer from security breaches, users may lose confidence in such payment systems and refrain from purchasing our virtual gifts online, in which case our results of operations would be negatively impacted.

We exercise no control over the third parties with whom we have business arrangements. For some of services and technologies such as online payment systems, we rely on a limited number of third-party providers with limited access to alternative networks or services in the event of disruptions, failures or other problems. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations.

Concerns about the collection, use and disclosure of personal data and other privacy-related and security matters could deter customers and users from using our services and adversely affect our reputation and business.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related and security matters, even if unfounded, could damage our reputation and operations. On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance. Moreover, the PRC Constitution, the PRC Criminal Law, the Civil Code of the People’s Republic of China and the Cybersecurity Law protect individual privacy in general, which require certain authorization or consent from internet users prior to collection, use or disclosure of their personal data and also protection of the security of the personal data of such users. In particular, Amendment 7 to the PRC Criminal Law prohibits institutions, companies and their employees in the telecommunications and other industries from selling or otherwise illegally disclosing a citizen’s personal information obtained during the course of performing duties or providing services. While we strive to comply with all applicable data protection laws and regulations, as well as our own privacy policies, any failure or perceived failure to comply may result in proceedings or actions against us by government entities or private individuals, which could have an adverse effect on our business. Moreover, failure or perceived failure to comply with applicable laws and regulations related to the collection, use, or sharing of personal information or other privacy-related and security matters could result in a loss of confidence in us by customers and users, which could adversely affect our business, financial condition and results of operations. See also “—Any compromise to the cyber security of our platforms could materially and adversely affect our business, reputation and results of operations.” Furthermore, on August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People’s Republic of China, or the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. Our mobile app only collects basic user personal information that is necessary to provide the corresponding services. We do not collect any sensitive personal information or other excessive personal information that is not related to the corresponding services. We update our privacy policies from time to time to meet the latest regulatory requirements of the CAC and other authorities and adopt technical measures to protect data and ensure cybersecurity in a systematic way. Nonetheless, the Personal Information Protection Law raises the protection requirements for processing personal information, and many specific 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.

As we continue to expand overseas, foreign and international laws, regulations, standards, and other obligations, and changes in the interpretation of such laws, regulations, standards, and other obligations could result in increased regulation, increased costs of compliance and penalties for non-compliance, and limitations on data collection, use, disclosure, and transfer for us and our users. In 2016, the European Union (“EU”) adopted a new regulation governing data privacy called the General Data Protection Regulation (“GDPR”), which became effective in May 2018. The GDPR establishes new requirements applicable to the handling of personal data and imposes penalties for non-compliance of up to 4% of worldwide revenue. In addition, to the extent we deploy services of any third party suppliers to support our overseas business, we must continue to seek assurances from our sub-processors that they are handling personal data in accordance with GDPR requirements in order to meet our own obligations under the GDPR. In addition, in June 2018, the California Consumer Privacy Act (“CCPA”), which takes effect on January 1, 2020, was enacted. The CCPA gives California consumers certain rights similar to those provided by the GDPR, and users may seek similar assurances from suppliers regarding compliance.

Unauthorized use of our intellectual property by our hosts and employees and other third parties and the expenses incurred in protecting our intellectual property rights may harm our brands and reputation and materially and adversely affect our business.

We regard our copyrights, trademarks and other intellectual properties as critical to our success, and rely on a combination of trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with users typically prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. We enter into confidentiality agreements and intellectual property ownership agreements with our employees, we cannot assure you that these confidentiality agreements will not be breached, that we will have adequate remedies for any breach, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of our intellectual property. In addition, we cannot assure you that any of the above trademark applications will ultimately proceed to registration or will result in registration with adequate scope for our business. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our trademark applications are not successful, we may have to use different marks for affected products or services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all.

Because of ambiguities in the intellectual property laws and difficulties in enforcement, intellectual property right protection in China may involve uncertainties. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially adversely affect our financial condition and results of operations.

Our research and development expenditure may lower our profitability. Furthermore, if we fail to anticipate or successfully implement new technologies, our proprietary technologies or platforms could become unattractive or obsolete, and our revenues and market share may decline.

Our technological capabilities and infrastructure underlying our platforms are critical to our success. We have invested and will continue investing significant resources, including financial resources, in research and development to keep pace with technological advances in order to make our development capabilities, our platforms and our services competitive in the market. In order to continue attracting hosts to generate content on our platforms, we must provide new and attractive features for creating and optimizing audio content. If we fail to anticipate or implement new features to our hosts users, we may not be able to retain existing hosts and users or attract new members to join our community. Also, our operations and development rely heavily on our AI technologies. We have developed an AI-backed system to accomplish tasks that usually require a massive amount of manpower, such as monitoring hundreds of millions of podcasts uploaded to our platforms to protect us from improper or illegal use of our platforms. The AI-backed system also plays a key role in content distribution and recommendation. See “Item 4. Information on the Company—4.B. Business Overview—Content Moderation.” If we cannot develop or maintain an effective operation of artificial intelligence to assist in those areas, or if we fail to improve our AI-backed system to align with the fast increase of our data volume, we may not have the technologies required to support our business operations and development. We have incurred a significant amount of research and development expenses in the past and such expenses may continue to raise in future.

However, expenditures in research activities cannot guarantee a commercially practical result, or at all. Accordingly, our expenditures may not generate corresponding benefits, which in turn will reduce our profitability. Given the fast pace with which the internet technology has been and will continue to be developed, we may not be able to timely upgrade our streaming technology, our engines or the software framework for our platforms development in an efficient and cost-effective manner, or at all. New technologies in programming or operations could render our technologies, our platforms or products or services that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, outsourcing costs and licensing fees, which could result in a decline in our revenues and market share.

Our business depends substantially on the continuing efforts of our executive officers, key employees and qualified personnel, and our business operations may be adversely and negatively impacted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers and key employees. In particular, we rely on the expertise, experience and vision of our founder, chief executive officer and Chairman, Mr. Jinnan (Marco) Lai, as well as other members of our senior management team. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Since the user-generated audio content industry is characterized by high demand and intense competition for talents, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. In addition, as our company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business which may materially and adversely affect our ability to grow our business and hence our results of operations.

We do not have key man insurance for our executive officers or key employees. If any of our executive officers and key employees terminates their services with us, our business may be severely and adversely affected, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement and a non-compete agreement with us. However, certain provisions under the non-compete agreement may be deemed invalid or unenforceable under PRC laws. If any dispute arises between our executive officers and key employees and us, we cannot assure you that we would be able to enforce these non-compete agreements in China, where these executive officers reside, in light of uncertainties with China's legal system.

We rely on assumptions and estimates to calculate certain key operating metrics, such as MAUs and paying users, and real or perceived inaccuracies in such metrics may lead to inaccurate interpretation of our business operations by our management and investors, and harm our reputation and negatively affect our business.

The numbers of MAUs or paying users or certain other key operating metrics are calculated using internal company data. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring users and user engagement across our large user base. The actual number of individual users, for example, is likely to be lower than that of registered user accounts, MAUs and paying users, potentially significantly, due to various reasons such as repetitive registration. Some of our user accounts may also be created for specific purposes such as to increase the number of votes for certain hosts in various contests, but the number of paying users and MAUs do not exclude user accounts created for such purposes. We measure the number of MAUs by the number of mobile devices, and we require phone number verification for registered accounts and require ID verification for live streaming host accounts. However, we have limited ability to validate or confirm the accuracy of information provided during the user registration process to ascertain whether a new user account created was actually created by an existing user who is registering duplicative accounts. The respective number of our MAUs and paying users may overstate the number of individuals who register on our platforms, sign onto our platforms, purchase virtual gifts or other products and services on our platforms and access own apps, respectively, which may lead to an inaccurate interpretation of our metric. The calculations of our active users may not accurately reflect the actual number of people using our platforms.

If the growth in the number of our registered user accounts, MAUs or paying users is lower than the actual growth in the number of individual registered, MAUs or paying users, or if our user base is overstated, our user engagement level, sales and our business may not grow as quickly as required to meet the demand of our user base, which may harm our business, financial condition and results of operations. In addition, if our other key operating metrics, such as the total number of Golden Coins spent by our paying users on hosts are not accurately calculated, it may cause inaccurate evaluation of our business operations by our management and by investors which may also materially and adversely affect our business and results of operations.

In addition, our measures of such key operating metrics may differ from estimates published by third parties or from metrics used by other companies in similar industries due to differences in methodology. As a result, such key operating metrics may not be directly comparable to those similarly titled metrics used by other companies. If others do not perceive our key operating metrics to be accurate representations of our results of operations, or if we discover material inaccuracies in our key operating metrics, our reputation may be harmed and customers and platforms' partners may be less willing to allocate their resources or spending to us, which could negatively affect our business and operating results.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.

We may be subject to litigation, disputes or claims of various types brought by our competitors, users, hosts, employees, or others against us in matters relating to intellectual property rights, contractual disputes and competition claims or claims and disputes involving misconducts of our hosts, users, and employees. For example, we have been subject to user complaints and disputes relating to virtual gifting transactions consummated on our platforms and may be subject to litigation or threatened proceedings with our users in the future. We cannot assure you that we will not be subject to similar disputes, complaints or legal proceedings in the future, which may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business.

Litigation is expensive, subjects us to the risk of significant damages, requires significant management time and attention and could have a material and adverse effect on our business, financial condition and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our user base. We may also need to pay damages or settle lawsuits with a substantial amount of cash.

We have been involved in litigation arose in the ordinary course of business. Such lawsuits may involve intellectual property infringement on our platforms or commercial disputes with certain hosts. While we do not believe that any currently pending proceedings are likely to have a material adverse effect on us, if there were adverse determinations in legal proceedings against us, we could be required to pay substantial monetary damages or adjust our business practices, which could have a material and adverse effect on our business, financial condition and results of operations.

We and certain of our directors and officers were named as defendants in several shareholder class action lawsuits in the past, and if similar events occur again in the future, they could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

In the past, we defended against the putative class action lawsuits. Although such putative class action lawsuits had been dismissed in full by both state and federal courts, we anticipate that we could continue to be a target for lawsuits in the future, including putative class action lawsuits brought by shareholders. There can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment on appeal, and we may decide to settle lawsuits on unfavorable terms. Any adverse outcome of these cases, including any plaintiffs' appeal of the judgment in these cases, could result in payments of substantial monetary damages or fines, or changes to our business practices, and thus 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 these matters. The litigation process may utilize a significant portion of our cash resources and divert management's attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

Some of our products and services contain open source software, which may pose particular risk to our proprietary software, products and services in a manner that negatively affects our business.

We use open source software in some of our products and services and will continue to use open source software in the future. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully.

Negative publicity may materially and adversely affect our brand, reputation, business and growth prospects.

Negative publicity involving us, our hosts, our users, our management, our content, our platforms or our business model may materially and adversely harm our brand and our business. See “—We may be liable for intellectual property infringement relating to intellectual properties of third parties, which may materially and adversely affect our business, financial condition and prospects.” We cannot assure you that we will be able to defuse negative publicity about us, our management and/or our services to the satisfaction of our investors, users, customers and platforms' partners.

For instance, Mr. Yipeng Li, who has been our independent director since our initial public offering, was named as one of the defendants in a securities class action lawsuit against Sunlands Technology Group (“Sunlands”) originally filed on June 27, 2019 with United States District Court Eastern District Court of New York (case number 1:19-cv-03744-FB-SMG), and another two ongoing securities class actions against Cloopen Group Holding Limited (“Cloopen”) originally filed on April 19, 2021 with New York state court (index no: 652617/2021) and on December 10, 2021 with New York federal court (case no: 1:21-cv-10610-JGK), respectively, alleging misrepresentation contained in the registration statement in connection with those company's initial public offerings. Both the Sunlands matter and the Cloopen matter have been concluded without any determination made regarding the liability of any defendant, including Mr. Li.

There has been negative publicity about our platforms and the misuse of our services by certain hosts and users. Such negative publicity may divert our management's attention and materially and adversely impact our business, financial condition and results of operations.

We generate a portion of our revenues from subscription and others. If we fail to maintain or grow such revenues, our financial results may be adversely affected.

In 2023, 2024 and 2025, we generated RMB8.4 million, RMB13.2 million and RMB46.3 million (US\$6.6 million) of net revenues from subscription and others, representing 0.4%, 0.7% and 1.5% of our total net revenues for the same periods. Revenues from subscription and others were primarily generated from subscription-based services of our AI applications. Such revenues are subject to uncertainties relating to user adoption, pricing strategies, product performance and market competition.

While revenues from subscription and others currently represent a relatively small portion of our total revenues, our financial results could be adversely affected if we fail to maintain or grow such revenues. In addition, if we are unable to improve user retention, enhance the perceived value of our subscription offerings, or effectively convert users into subscribers, our ability to expand this revenue stream may be limited.

Advertisements shown on our platforms may subject us to penalties and other administrative actions.

We derived a small portion of our revenue from advertising business. Under PRC advertising laws and regulations, as a publisher of internet advertisements, we are obligated to monitor the advertising content shown on our platforms to comply with applicable laws and regulations. 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 any misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

Furthermore, On February 25, 2023, the SAMR has issued the Measures for the Administration of Online Advertising, or the Internet Advertising Measures, which came into force on May 1, 2023 and states that all internet advertising activities will be regulated and clearly states that livestreaming room operators and livestreaming marketers must abide by the responsibilities and obligations of internet advertising operators. The Internet Advertising Measures also provides that internet advertisement publishers should not publish advertisements on vehicles, navigation system, or intelligence household electronic appliances without the users' permission or request. The Internet Advertising Measures further strengthens the one-click-to-close requirement and prohibits advertisements for certain items on Internet media that targets minors, including, among others, advertisements related to online games that are harmful to the physical or mental health of minors. Although the formal Internet Advertising Measures have been adopted, there are uncertainties regarding the interpretation and application of these measures, as well as their potential impact on us.

We are subject to risks relating to our third-party online payment platforms.

Currently, we sell a certain portion of our products and services to our users through third-party online payment systems. We expect that an increasing amount of our sales will be conducted over the internet as a result of the growing use of online payment systems. We utilize third-party online payment platforms to receive cash proceeds from sales of our virtual currency through direct purchases on our platforms. Any scheduled or unscheduled interruption in the ability of our users to use these and other online payment platforms could adversely affect our payment collection, and in turn, our revenue. In addition, in online payment transactions, secure transmission of user information, such as debit and credit card numbers and expiration dates, personal information and billing addresses, over public networks, is essential to user privacy protection and maintaining their confidence in our platforms.

We do not have control over the security measures of our third-party payment platforms, and their security measures may not be adequate at present or may not be adequate with the expected increased usage of online payment platforms. We could be exposed to litigation and possible liability if online transaction safety of our users is compromised in transactions involving payments for our virtual currency, which could harm our reputation and our ability to attract users and may materially adversely affect our business. We also rely on the stability of such payment transmissions to ensure the continued payment services provided to our users. If any of these third-party online payment platforms fails to process, or ensure the security of, users' payments for any reason, our reputation will be damaged and we may lose our paying users and discourage the potential purchases, which in turn, will materially and adversely affect our business, financial condition and prospects.

Restrictions on virtual currency may adversely affect our revenues.

In 2016, we launched "Golden Coin," the virtual currency that can be used by our users to purchase virtual gifts in relation to our value-added services. Due to the relatively short history of virtual currency in China, the regulatory framework governing the industry is still under development.

The Notice on the Reinforcement of the Administration of Online Games issued by the Ministry of Culture and other governmental authorities on February 15, 2007 directs the People's Bank of China to strengthen the administration of virtual currency to avoid any adverse impact on the PRC economic and financial system. This notice provides that the total amount of virtual currency issued by an operator and the amount of purchased by individual users should be strictly limited, with a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce. This notice also provides that virtual currency should only be used to purchase virtual items.

On June 4, 2009, the Ministry of Culture and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency, or the Virtual Currency Notice. The term "virtual currency" is widely used in the live streaming industry, such term as used in our industry does not fall under the definition under the Virtual Currency Notice. Although we do not think Virtual Currency Notice applies to the operation of our live streaming platform, given the wide discretion of relevant governmental authorities and uncertainties in the regulatory environment, we cannot assure that relevant governmental authorities will not in the future interpret the Virtual Currency Notice in a different way and subject our operation to the scope of the Virtual Currency Notice or issue new rules to regulate the virtual currency in our industry. In that case, our operation may be adversely affected.

Our users may suffer from third party fraud when purchasing our virtual currency and we may suffer fraud when selling virtual currency to users.

We offer our users multiple options to purchase Golden Coin, our virtual currency. Users can purchase these virtual currencies directly on platforms, make in-app purchases using third-party payment channels. From time to time, certain third parties fraudulently claim that users can purchase Golden Coin through them. If our users choose to purchase our virtual currency from such third parties, they may suffer losses from such fraudulent activities by third parties. Although we are not directly responsible for such fraudulent activities conducted by third parties, our user experience may be adversely affected and they may choose to leave our platforms as a result. Such fraudulent activities by third parties might also generate negative publicity, disputes or even legal claims. The measures we take in response to such negative publicity, disputes or legal claims may be expensive, time consuming and disruptive to our operations and divert our management's attention.

In addition, we have run into multiple incidents in the past where the users paid for our virtual currency through fraudulent methods, including illegal use of credit cards. Such incidents had not resulted in any material and adverse impact on our business and operations. While such incidents have decreased given tightened regulation, we may lose all the revenue we were supposed to generate from the sales as we were not able to collect or recover on any of it when such incidents occur. Although we have instated authentication mechanisms that help us detect such fraudulent paying methods, we still cannot guarantee that our mechanisms can prevent all fraudulent virtual currency purchases. These fraudulent transactions cause harm to our financial results and business operations.

Present and future business partnerships or acquisitions may fail and materially and adversely affect our business, reputation and results of operations.

We may enter into business partnerships, including joint ventures, minority equity investments or business collaboration agreement, with third parties from time to time in connection with our business. These partnerships could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties and increased expenses in establishing new business partnerships, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could divert resources from our existing business, which in turn could adversely affect our operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired businesses. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholder approval, we may have to obtain approvals and licenses from government authorities and comply with applicable PRC laws and regulations, which could result in increased delays and costs.

We may be unable to obtain additional capital in a timely manner or on acceptable terms. Furthermore, our future capital needs may cause us to be bound by covenants that restrict our operations, such as our ability to incur additional indebtedness or pay dividends.

We have conducted several rounds of financing since our inception. We also issued convertible loans in the past which have been fully converted to our preferred shares. In January 2020, we completed our initial public offering. In April 2021, we completed our follow-on public offering. As we continue to expand our operations, we may need to raise additional capital to meet our financing demand. If we are unable to obtain such capital in a timely manner or on acceptable terms, or if we enter into financing agreements imposing restrictions on our operations, such as our ability to incur additional indebtedness or distribute dividends, our business, operation and financial conditions may be negatively affected.

We have significant working capital requirements and had working capital deficits in the past. If we experience working capital deficits in the future, our business, liquidity, financial condition and results of operations may be materially and adversely affected.

As a result of the efforts in expanding our business, we had a working capital deficit in 2019. Although we have achieved a positive working capital of RMB345.2 million (US\$49.4 million) as of December 31, 2025, there is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due in the future due to a variety of factors, some of which are beyond our control. There can be no assurance that we will be able to continue to successfully taking measures such as prudently managing our working capital or raising additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary, could materially adversely affect our liquidity, results of operations, financial condition and ability to operate.

We do not currently have business insurance to cover our main assets and business. Any uninsured occurrence of business disruption, litigation or natural disaster could expose us to significant costs, which could have an adverse effect on our results of operations.

The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. As such, we may not be able insure against certain risks related to our assets or business even if we desire to. In addition, the costs of insuring for such risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. We do not have any business liability or disruption insurance to cover our operations. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could disrupt our business operations, requiring us to incur substantial costs and divert our resources, which could have an adverse effect on our business, financial condition and results of operations.

We have granted share-based compensations in the past and will continue to grant share-based awards in the future, which may result in increased share-based compensation expenses and have an adverse effect on our future profit. Exercise of the share options, restricted shares or restricted share units granted will increase the number of our shares in circulation, which may adversely affect the market price of our shares.

We, through a wholly owned subsidiary, adopted a share incentive plan on September 30, 2018, which has been terminated and replaced in its entirety by a new share incentive plan adopted directly by us on May 31, 2019, or the 2019 Share Incentive Plan, for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. The maximum aggregate number of ordinary shares we are authorized to issue pursuant to all awards under the 2019 Share Incentive Plan is 40,000,000 Class A ordinary shares. In March 2020, we amended the 2019 Share Incentive Plan (the “Amended and Restated 2019 Share Incentive Plan”) to increase the maximum aggregate number of Class A ordinary shares we are authorized to issue under the Amended and Restated 2019 Share Incentive Plan to 100,000,000 Class A ordinary shares. In September 2021, we adopted the Second Amended and Restated 2019 Share Incentive Plan to replace the Amended and Restated 2019 Share Incentive Plan in its entirety, increasing the maximum aggregate number of Class A ordinary shares we are authorized to issue under the Second Amended and Restated 2019 Share Incentive Plan to 170,000,000 Class A ordinary shares. We may adopt share incentive plans in the future that permits granting of share-based compensation awards to employees and directors, which will result in significant share-based compensation expenses to us.

As of February 28, 2026, awards to purchase 20,016,720 Class A ordinary shares under the Second Amended and Restated 2019 Share Incentive Plan have been granted and outstanding. A number of awards become vested upon the completion of our initial public offering in January 2020 and we recognized a significant amount of share-based compensation expenses upon then. As of December 31, 2025, our total unrecognized share-based compensation related to the Second Amended and Restated 2019 Share Incentive Plan amounted to RMB1.4 million (US\$0.2 million). We believe the granting of share-based compensation awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Competition for highly skilled personnel is often intense and we may incur significant costs or not successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We have, from time to time, experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plans will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees.

We may be the subject of allegations, harassing or other detrimental conduct by third parties, which could harm our reputation and cause us to lose market share, users and customers.

We have been subject to allegations by third parties or purported former employees, negative internet postings and other adverse public exposure on our business, operations and staff compensation. We may also become the target of harassment or other detrimental conduct by third parties or disgruntled former or current employees. Such conduct may include complaints, anonymous or otherwise, to regulatory agencies, media or other organizations. We may be subject to government or regulatory investigation or other proceedings as a result of such third-party conduct and may be required to spend 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, allegations, directly or indirectly against us, may be posted on the internet, including social media platforms by anyone, whether or not related to us, on an anonymous basis. Any negative publicity on us or our management can be quickly and widely disseminated. Social media platforms and devices immediately publish the content of their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business or prospects. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of negative and potentially false information about our business and operations, which in turn may cause us to lose market share, users or customers.

Non-compliance on the part of our employees or third parties involved in our business could adversely affect our business.

Our compliance controls, policies and procedures may not protect us from acts committed by our employees, agents, contractors, or collaborators that violate the laws or regulations of the jurisdictions in which we operate, which may adversely affect our business.

In addition, our business partners or other third parties involved in our business through our business partners (such as contractors, guilds or other third parties entered into business relationship with our third-party business partners) may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, disrupt our business. Although we conduct review of legal formalities and certifications before entering into contractual relationship with other businesses such as advertisers and guilds, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties, we cannot be certain whether such third party has infringed or will infringe any third parties' legal rights or violate any regulatory requirements or rule out the likelihood of incurring any liabilities imposed on us due to any regulatory failures by third parties. We identify irregularities or non-compliance in the business practices of any parties with whom we pursue existing or future cooperation and we cannot assure you that any of these irregularities will be corrected in a prompt and proper manner. We cannot assure you that our business partners will be able to supervise and administrate those third parties actively involved in our business through these business partners in an effective way. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation and in turn, our results of operations.

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

As we expand our operations overseas, we may have to adapt our business models or operations to the local markets due to various legal requirements and market conditions. Our international operations and expansion efforts may result in increased costs and are subject to various of risks, including content control from local authorities, uncertain enforcement of intellectual property rights and infringements, the complexity of compliance with foreign laws and regulations and cultural differences. Compliance with applicable foreign laws and regulations related to matters that are central to our business, including those related to content restrictions, data privacy, virtual gift sales, anti-corruption laws, anti-money laundry and minors protection, increases the costs and risk exposure of doing business in foreign jurisdictions. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. As our globalized operations evolves, we cannot assure you that we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity involved in our overseas business expansion, we cannot assure you that we are in compliance with all local laws or regulations, including license requirements, or that our existing licenses will be successfully renewed or expanded to cover all of our areas of operations.

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

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

We have been exploring international markets and developing mobile applications and new product features in audio, communication, and artificial intelligence. While our experience in international markets is limited, we expect to enter and expand our operations globally. Global expansion could expose us to a number of risks, including:

- compliance with applicable foreign laws and regulations, including but not limited to internet content provider licenses, internet content requirements, foreign exchange controls, cash repatriation restrictions, intellectual property protection rules and data privacy requirements;
- tensions between China and the United States or among other government authorities in countries or regions where we operate;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them. Our business partners primarily include popular hosts and their agencies, third parties that promote our platforms and applications and third parties that provide us technology support;

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

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

We may be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics or pandemic, riots, political and military upheavals and other outbreaks in the country or region where we have our operations or where a portion of our users or podcasts are located. Such events could significantly disrupt our operations and negatively impact our business, financial conditions and development.

We have incurred and will continue to incur additional costs as a result of being a public company.

As a public company, we are incurring and expect to continue to incur significant legal, accounting and other expenses that we did not incur as a private company. These additional costs could negatively affect our financial results. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including regulations implemented by the Nasdaq, may increase legal and financial compliance costs and make some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts to comply with new laws, regulations and standards, we fail to comply, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Risks Related to Our Corporate Structure

There are uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to the agreements that establish the VIE structure for our operations in China, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the VIEs and, consequently, significantly affect the financial condition and results of operations performance of our company. If the PRC government finds such agreements non-compliant with relevant PRC laws, regulations, and rules, or if these laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties or be forced to relinquish our interests in the VIEs.

PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet and other related businesses, including the provision of internet content. Specifically, foreign ownership is prohibited in industries of online audio program services and internet cultural business (excluding music), foreign ownership of an internet content provider in managing value-added telecommunications business may not exceed 50%. We are a company registered in the Cayman Islands and Beijing Hongyiyichuang Information Technology Co., Ltd. (“Hongyi Technology”), Guangzhou Tiya Information Technology Co., Ltd. (“Guangzhou Tiya”), Guangzhou Yuechuang Information Technology Co., Ltd. (“Guangzhou Yuechuang”), Guangzhou Yuyin Information Technology Co., Ltd. (“Guangzhou Yuyin”) and Guangzhou QingYin Information Technology Co., Ltd. (“Guangzhou QingYin”) (our wholly-owned subsidiaries in China) are considered foreign-invested enterprises, or WFOEs. To comply with PRC laws and regulations, our WFOEs conduct our business in China mainly through Guangzhou Lizhi Network Technology Co., Ltd. (“Guangzhou Lizhi”) and Guangzhou Huanliao Network Technology Co., Ltd. (“Guangzhou Huanliao”), the VIEs, and their respective subsidiaries, based on a series of contractual arrangements by and among our WFOEs, the VIEs and the respective shareholders of the VIEs. As a result of these contractual arrangements, we consolidate the VIEs and their subsidiaries’ financial results in our financial statements under U.S. GAAP. The VIEs hold the licenses, approvals and key assets that are essential for our operations. See “Item 4. Information on the Company—4.C. Organizational Structure—Contractual Arrangements with the VIEs and the VIEs’ Respective Shareholders.”

In the opinion of our PRC counsel, Fangda Partners, based on its understanding of the relevant PRC laws and regulations, each of the contractual arrangements among each of our WFOEs, the VIEs, and their respective shareholders is valid, binding and enforceable in accordance with its terms. However, we have been further advised by our PRC counsel that there are uncertainties regarding the interpretation and application of current or future PRC laws and regulations. Thus, the PRC government may ultimately take a view contrary to the opinion of our PRC counsel. In addition, PRC government authorities may deem that foreign ownership is directly or indirectly involved in each of the VIE’s shareholding structure. If we are found in violation of any PRC laws or regulations, or if the contractual arrangements among any of our WFOEs, the VIEs and/or their respective shareholders are determined as illegal or invalid by the PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- discontinuing or placing restrictions or onerous conditions on our operations;
- placing restrictions on our right to collect revenues;
- shutting down our servers or blocking our apps/websites;
- requiring us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business operations. In addition, new PRC laws, regulations, and rules may be introduced to impose additional requirements, posing additional challenges to our corporate structure and contractual arrangements. If the imposition of any of these penalties causes us to lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, we would no longer be able to consolidate their financial results and/or claim our contractual control rights over the assets of the VIEs that conduct substantially all of our operations in China, which could materially and adversely affect our financial condition and results of operations and cause our ADSs to significantly decline in value or become worthless.

Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

Since PRC laws prohibit or restrict foreign equity ownership in certain kinds of business in China, we have relied and expect to continue to rely on the contractual arrangements with the VIEs and their shareholders to operate our business in China.

However, these contractual arrangements may not be as effective as direct ownership in providing us with control over our affiliated entities. Any of our affiliated entities, including the VIEs and its shareholders, could breach their contractual arrangements with us by, among other things, failing to conduct their operations in an acceptable manner or taking other actions that are detrimental to our interests. In the event that the shareholders of the VIEs breach the terms of these contractual arrangements and voluntarily liquidate the VIEs, or the VIEs declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to conduct some or all of our business operations or otherwise benefit from the assets held by our affiliated entities, which could have a material adverse effect on our business financial condition and results of operations.

Most of the nominee shareholders of the VIEs are also the management of the Company. Particularly, nominee shareholders of Guangzhou Lizhi are: (i) Guangzhou Shengchuang Network Technology Co., Ltd (广州声创网络技术有限公司) (84.81%), 50% of whose interest is owned by Ms. Juan Ren, our Vice President and director, and the other 50% of whose interest is owned by Mr. Zelong Li, our Chief Operating Officer; (ii) Mr. Ning Ding (7.50%), our co-founder, Chief Technology Officer, and the beneficial owner of the shares held by Voice Intelligence Ltd, one of our shareholders; and (iii) Zhuhai Dayin Ruoxi Enterprise Management Center (Limited Partnership) (formerly known as Zhuhai Dayin Ruoxi Investment Development Center (Limited Partnership) (珠海市大音若希企业管理中心(有限合伙)) (7.69%), 99.99% of whose interest is owned by Mr. Ning Ding. Guangzhou Lizhi operates our LIZHI App. The nominee shareholders of Guangzhou Huanliao are: (i) Mr. Ning Ding (99.99%), our co-founder and Chief Technology Officer; and (ii) Ms. Juan Ren (0.01%), our Vice President and director. The enforceability of the contractual agreements between us, the VIEs and their shareholders depends to a large extent upon whether the VIEs and their shareholders will fulfill these contractual agreements. Their interests in enforcing these contractual agreements may not align with our interests or the interests of our shareholders. If their interest diverges from that of our company and other shareholders, it may potentially increase the risk that they could seek to act contrary to these contractual arrangements. If the VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. Our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these agreements would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures, which could have uncertain results. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law.

There remain uncertainties regarding the ultimate outcome of such arbitration award should legal action become necessary. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to consolidate the operating results of the VIEs, and our ability to conduct our business may be negatively affected.

The approval, filing or other requirements of the China Securities Regulatory Commission or other PRC government authorities may be required under PRC law in connection with our issuance of securities overseas.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If CSRC approval under the M&A Rules is required, it is uncertain whether it would be possible for us to obtain the approval, and any failure to obtain or delay in obtaining CSRC approval for our future issuance of securities overseas would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

Furthermore, the Opinions on Strictly Cracking Down on Illegal Securities Activities 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, although such opinions did not specify the definition of “illegal securities activities.” Such opinions further provided that the special provisions of the State Council on overseas offerings and listings by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory agencies will be clarified.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures effective from March 31, 2023, which regulates both direct and indirect offering and listing of PRC domestic enterprises’ securities by adopting a filing-based regulatory regime, requiring PRC domestic companies seeking to directly or indirectly offer securities and list in overseas markets to file with the CSRC. For more details, please see “Item 4. Information on the Company—4.B. Business Overview—Regulations Related to M&A and Overseas Listings.”

Furthermore, on December 28, 2021, the CAC together with other regulatory authorities officially announced the Cybersecurity Review Measures. In accordance with the Cybersecurity Review Measures, network platform operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad. On September 24, 2024, the State Council issued the Regulation on Network Data Security Management, which went into effect on January 1, 2025. The Regulation on Network Data Security Management not only clarifies the basic principles and requirements for cyber data security management, but also further refine and supplement existing laws and regulations. Under the Regulation on Network Data Security Management, a network data processor carrying out network data processing activities that affect or may affect national security, shall undergo a national security review in accordance with relevant national regulations. The Regulation on Network Data Security Management stipulates the administrative penalties that cyber data processors may face for violating this regulation as well as other legal provisions, including but not limited to orders for rectification, warnings, confiscation of illegal gains, fines, suspension of relevant business activities, business rectification, and revocation of relevant business licenses or operating permits. Additionally, for directly responsible supervisors and other individuals directly accountable, the Regulation on Network Data Security Management also impose corresponding fines to reinforce personal responsibility.

As these opinions and regulations were newly issued and there are no further explanations with respect to such opinions, there are still uncertainties regarding the interpretation and implementation of such opinions and regulations. In addition, new rules or regulations promulgated in the future could impose additional requirements on us. If the CSRC or other relevant PRC regulatory agencies subsequently determine that approval or filing is required for any of our future offerings of securities overseas or to maintain the listing status of our ADSs either in accordance with the Trial Measures or any new rules or regulations promulgated in the future, we cannot guarantee that we will be able to obtain such approval or complete such filing in a timely manner, or at all. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, not to proceed with such offering or maintain the listing status of our ADSs. If we proceed with any of such offering or maintain the listing status of our ADSs without obtaining the CSRC or other PRC regulatory agencies’ approval or completing filing with CSRC or other PRC regulatory agencies to the extent they are required, or if we are unable to comply with any new approval or filing requirements which might be adopted for offerings that we have completed prior to the publication of the above-referenced opinions and regulations, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies 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 offering of securities overseas into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of the ADSs.

We rely on contractual arrangements with the VIEs and their shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership.

Due to PRC restrictions or prohibitions on foreign ownership of internet and other related businesses in China, we operate our business in China through the VIEs and their subsidiaries, in which we have no ownership interest. We rely on a series of contractual arrangements with the VIEs and their shareholders, including the powers of attorney, to direct and operate business of the VIEs. These contractual arrangements are intended to allow us to exercise all the management rights over the VIEs and obtain economic benefits from them. See “Item 4. Information on the Company—4.C. Organizational Structure—Contractual Arrangements with the VIEs and the VIEs’ Respective Shareholders” for more details about these contractual arrangements. In particular, our ability to direct the VIEs depends on the powers of attorney, pursuant to which Hongyi Technology and Guangzhou QingYin (our WFOEs) can exercise all shareholders’ rights in the VIEs. We believe these powers of attorney are legally enforceable but may not be as effective as direct equity ownership.

Although we have been advised by our PRC counsel, Fangda Partners, that each of the contractual arrangements among each of our WFOEs, the VIEs, and shareholders of the VIEs is valid, binding and enforceable under existing PRC laws and regulations, these contractual arrangements may not be as effective in providing control over the VIEs and their subsidiaries as direct ownership. If the VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. Although Hongyi Technology or Guangzhou QingYin has an option, subject to the registration process with PRC governmental authorities, to purchase the equity of the VIEs, if the shareholders of VIEs do not cooperate or there are any disputes relating to these contractual arrangements, we will have to enforce our rights under these contracts under PRC laws through arbitration, litigation and other legal proceedings. These contractual arrangements are governed by and interpreted in accordance with PRC law, and disputes arising from these contractual arrangements will be resolved through arbitration in China, which could have uncertain results. Meanwhile, there are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain uncertainties regarding the ultimate outcome of arbitration should legal action become necessary. These uncertainties could limit our ability to enforce these contractual arrangements. In addition, arbitration awards are final and can only be enforced in PRC courts through arbitration award recognition proceedings, which could cause additional expenses and delays. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may lose control over the assets owned by the VIEs. As a result, we may be unable to consolidate the financial results of such entities in our consolidated financial statements, our ability to conduct our business may be negatively affected, and our operations could be severely disrupted, which could materially and adversely affect our business, financial condition and results of operations.

We may lose the ability to use and enjoy assets held by the VIEs and their subsidiaries that are important to our business if the VIEs and their subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

The VIEs and their subsidiaries hold certain assets that are important to our operations, including the ICP License, the Internet Culture Operation License and Radio and Television Program Production and Operating Permit. Under our contractual arrangements, the shareholders of the VIEs may not voluntarily liquidate the VIEs or approve them to sell, transfer, mortgage or dispose of their assets or legal or beneficial interests exceeding certain threshold in the business in any manner without our prior consent. However, in the event that the shareholders breach this obligation and voluntarily liquidate the VIEs, or the VIEs declare bankruptcy, or all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if the VIEs or their subsidiaries undergo a voluntary or involuntary liquidation proceeding, their shareholders or unrelated third-party creditors may claim rights to some or all of its assets, hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

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

Pursuant to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by PRC tax authorities. We may be subject to adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among each of our WFOEs, the VIEs, and shareholders of the VIEs are not on an arm's length basis and therefore constitute favorable transfer pricing. As a result, the PRC tax authorities could require that the VIEs adjust their taxable income upward for PRC tax purposes. Such an adjustment could increase our WFOEs tax expenses, subject our WFOEs to late payment fees and other penalties for underpayment of taxes. As a result, our consolidated results of operations may be adversely affected.

If the chops of our PRC subsidiaries, the VIEs and their subsidiaries, are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries, the VIEs and their subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safe, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. If any of our authorized personnel obtains, misuses or misappropriates our chops for whatever reason, we could experience disruptions in our operations. We may also have to take corporate or legal action, which could require significant time and resources to resolve while distracting management from our operations. Any of the foregoing could adversely affect our business and results of operations.

Our shareholders or 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 persons who are also our shareholders or affiliates of our shareholders, and, in some cases, our directors or officers. Conflicts of interest may arise between the roles of them as shareholders, directors or officers of our company and as shareholders of the VIEs. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to our company to act in good faith and in the best interest of our company and not to use their positions for personal gain. The shareholders of the VIEs have executed powers of attorney to appoint Hongyi Technology or Guangzhou QingYin (our WFOEs) to vote on their behalf and exercise voting rights as shareholders of the VIEs. We cannot assure you that when conflicts arise, these shareholders 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 uncertainty as to the outcome of any such legal proceedings.

Additionally, we rely on our shareholders and the shareholders of the VIEs to secure, both at the internal and external level, all the necessary approvals, permits, filings or other formalities and proceedings in relation to their respective investment in us and/or the VIEs. We cannot assure you that our shareholders and shareholders of the VIEs have obtained all of such necessary approvals, permits, filings or other formalities and proceedings. The failure to obtain such approvals, permits, filings or other formalities and proceedings may adversely affect our business and results of operation.

Certain existing shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

As of February 28, 2026, our founder, Chief Executive Officer and Chairman, Mr. Jinnan (Marco) Lai, through entities controlled by him, holds 23.2% of our total outstanding ordinary shares, representing 65.1% of our total voting power, excluding 841,050 Class A ordinary shares held by Kastle Limited which holds such Class A ordinary shares in trust for the benefit of certain of our senior management and directors. As a result, Mr. Lai is expected to have substantial influence over our business, including significant corporate actions such as mergers, consolidations, sales of substantially all of our assets, election of directors and related party transactions.

Our controlling shareholders may take actions that are not in the best interest of us or our other shareholders and conflicts of interest between them and us may arise as a result of their operation of or investment in businesses that compete with us. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. These actions may be taken even if they are opposed by our other shareholders, including holders of our ADSs. In addition, the significant concentration of share ownership may adversely affect the trading price of the ADSs due to investors' perception that conflicts of interest may exist or arise. For more information regarding our principal shareholders and their affiliated entities, see "Item 6. Directors, Senior Management and Employees—6.E. Share Ownership."

We may rely on dividends paid by our PRC subsidiaries to fund cash and financing requirements. Any limitation on the ability of our PRC 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 may rely on dividends to be paid by our PRC subsidiaries to fund our cash and financing 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 PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, a wholly foreign-owned enterprise in China, such as Hongyi Technology or Guangzhou QingYin, 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 the statutory surplus fund or general reserve fund, until the aggregate amount of such 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 discretionary surplus fund or enterprise expansion fund and staff bonus and welfare fund. These funds are not distributable as cash dividends. For more detail on those limits, see "—Risks Related to Doing Business in China—Our PRC subsidiaries and PRC VIEs are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements." Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Substantial uncertainties exist with respect to whether the foreign investor's controlling PRC onshore variable interest entities via contractual arrangements will be recognized as "foreign investment" and how it may impact the viability of our current corporate structure and operations.

On March 15, 2019, the National People's Congress of the PRC adopted the PRC Foreign Investment Law, which came into force on January 1, 2020. The PRC Foreign Investment Law defines the "foreign investment" as the investment activities in China conducted directly or indirectly by foreign investors in the following manners: (i) the foreign investor, by itself or together with other investors establishes a foreign invested enterprises in China; (ii) the foreign investor acquires shares, equities, asset tranches, or similar rights and interests of enterprises in China; (iii) the foreign investor, by itself or together with other investors, invests and establishes new projects in China; (iv) the foreign investor invests through other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council. The PRC Foreign Investment Law keeps silent on how to define and regulate the "variable interest entities," while adding a catch-all clause that "other approaches as stipulated by laws, administrative regulations or otherwise regulated by the State Council" can fall into the concept of "foreign investment," which leaves uncertainty as to whether the foreign investor's controlling PRC onshore variable interest entities via contractual arrangements will be recognized as "foreign investment." Pursuant to the PRC Foreign Investment Law, PRC governmental authorities will regulate foreign investment by applying the principle of pre-entry national treatment together with a "negative list," which will be promulgated by or promulgated with approval by the State Council. Foreign investors are prohibited from making any investments in the industries which are listed as "prohibited" in such negative list; and, after satisfying certain additional requirements and conditions as set forth in the "negative list," are allowed to make investments in the industries which are listed as "restricted" in such negative list. For any foreign investor that fails to comply with the negative list, the competent authorities are entitled to ban its investment activities, require such investor to take measures to correct its non-compliance and impose other penalties.

The internet content service, internet audio-visual program services and online culture activities that we conduct through the VIEs are subject to foreign investment restrictions/ prohibitions set forth in the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version) and the Catalog of Industries for Encouraging Foreign Investment (2025 Version) issued by MOFCOM and the National Development and Reform Commission.

The PRC Foreign Investment Law leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. It is therefore uncertain whether our corporate structure will be seen as violating foreign investment rules as we are currently using the contractual arrangements to operate certain businesses in which foreign investors are currently prohibited from or restricted to investing. Furthermore, if future laws, administrative regulations or provisions of the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. If we fail to take appropriate and timely measures to comply with any of these or similar regulatory compliance requirements, our current corporate structure, corporate governance and business operations could be materially and adversely affected.

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

The value of the RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The depreciation of the RMB against the U.S. dollar was approximately 2% and 1% for the years ended December 31, 2023 and 2024, respectively. In 2025, the appreciation of the RMB against the U.S. dollar was approximately 4%. It is difficult to predict how market forces or the PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future.

There remains significant international pressure on the Chinese government to adopt a flexible currency policy to allow the RMB to appreciate against the U.S. dollar. Significant revaluation of the RMB may have a material adverse effect on your investment. Substantially all of our revenues and costs are denominated in RMB. Any significant revaluation of RMB 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. To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs, and if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

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

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

The PRC government imposes control on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB.

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

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.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In the meantime, our directors, executive officers and other employees who are PRC citizens or who are non-PRC residents residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and who have been granted incentive share awards by us, may follow the Circular on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the SAFE Circular 7, promulgated by the SAFE in 2012. Pursuant to the SAFE Circular 7, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a qualified PRC agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. The PRC agent shall amend the SAFE registration within three months in the event that there is any material changes to the share incentive plan, the PRC agent or the overseas entrusted institution or other material changes. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options are subject to these regulations. However, we cannot assure you that the SAFE registrations for the participants of our share incentive plan could be completed and updated in a timely manner. Failure to complete the SAFE registrations or to amend such registrations in time may subject them to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See "Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations Related to Employee Stock Incentive Plan."

The SAT has issued certain circulars concerning equity incentive awards. Under these circulars, our employees working in China who exercise share options, restricted shares or restricted share units will be subject to PRC individual income tax. Each of our PRC subsidiaries has obligations to file documents related to employee share options, restricted shares or restricted share units with relevant tax authorities and to withhold individual income taxes of those employees. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities. See "Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations Related to Employee Stock Incentive Plan."

Our leased property interests may be defective and our right to lease the properties affected by such defects may be challenged, which could adversely affect our business.

As of December 31, 2025, we leased 19 premises in China and overseas. We also lease some properties constructed on lands allocated by government on certain conditions. The lease of structures on allocated lands shall meet relevant requirements and be approved by the competent authorities. If our landlords' ownership of the leased properties is successfully challenged by a third party or our landlords lease the relevant properties on allocated lands without approval, our lease agreements may not be enforceable and we may be forced to vacate the premise and relocate to a different premise. We cannot assure you that we will cause all of our landlords to provide sufficient property title certificates and obtain approvals in time, or at all, and if we have to relocate, our business may be disrupted and we may incur additional expenses. Some of such landlords have not registered the lease agreements with the government authorities or have not completed the registration process with respect to their ownership rights to the leased premises. We may be subject to monetary fines due to failure by the landlords to complete the registration process as required by applicable laws.

We may also be forced to relocate our operations if the landlords do not obtain valid title and approvals to or complete the required registrations with local housing authorities in a timely manner or at all. We might not be able to locate desirable alternative sites for our operations in a timely and cost-effective manner which may adversely affect our business.

Risks Related to our American Depositary Shares

Our ADSs have experienced and may continue to experience price and volume fluctuations regardless of our operating performance, which could lead to costly litigation for us and make an investment in us less appealing.

Stock markets are subject to significant price and volume fluctuations that may be unrelated to the operating performance of particular companies and the market price of our ADSs may therefore frequently change as a result. For example, during the year ended December 31, 2025, the high and low closing prices of our ADSs were US\$35.90 and US\$1.19 per ADS, respectively, and the closing price of our ADSs on March 31, 2026 was US\$16.88 per ADS. Meanwhile, our net revenues during the fiscal year 2025 increased by 53.0% from the prior year and we recorded a net income of RMB220.7 million (US\$31.6 million) in 2025, compared to a net loss of RMB81.0 million in 2024. The market price of our ADSs have fluctuated and may continue to fluctuate substantially due to a variety of factors, including our financial condition, operating performance, fluctuations in our results of operations, our ability to execute on our current growth strategy in a timely fashion, announcements about technological innovations or new products or services by us or our competitors, market acceptance of new products and services offered by us, changes in our relationships with our suppliers or customers, our ability to meet analysts' expectations, changes in the information technology environment, changes in earnings estimates by analysts, sales of our ADSs by existing holders, and the loss of key personnel. Possible exogenous incidents and trends may also impact capital markets and our own ADS prices, including but not limited to foreign and cross border altercations, political unrest, geopolitical conflict, pandemic and cyberterrorism on a global scale.

The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control or regardless of our operating performance. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings, cash flow and data related to our user base or user engagement;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new product and service offerings, solutions and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us, our products and services or our industry;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

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

We have not maintained compliance with the minimum bid price requirement of \$1.00 per share for continued listing on the Nasdaq. If we continue to fail to meet this requirement and Nasdaq determines to delist our ADSs, the delisting would adversely affect the market liquidity of our ADSs and the market price of our ADSs could decrease.

Our ADSs are listed on the Nasdaq. In order to maintain our listing, we must meet minimum financial and other requirements, including the minimum bid price requirement of \$1.00 per share for continued listing, as set forth in Nasdaq Listing Rule 5450(a)(1). In October 2022, we received a letter dated October 11, 2022 from the Nasdaq indicating that, based upon the closing bid price of our ADSs for the prior 30 consecutive business days, the Company is not currently in compliance with the \$1.00 minimum bid price requirement. The notice indicated that, consistent with Nasdaq Listing Rule 5810(c)(3)(A), we had 180 days, or until April 10, 2023, to regain compliance with the minimum bid price requirement. On March 29, 2023, we announced that we received approval from the Nasdaq to transfer the listing of our ADSs from the Nasdaq Global Market to the Nasdaq Capital Market. In connection with the transfer to the Nasdaq Capital Market, on April 11, 2023, Nasdaq granted us an additional 180-day period (or until October 9, 2023) to regain compliance with the requirement that the bid price of our ADSs meet or exceed \$1.00 per ADS for at least ten consecutive business days. As part of our efforts to regain compliance with the minimum bid price requirement, we changed the ratio of its ADSs representing Class A ordinary shares from one (1) ADS representing twenty (20) Class A ordinary shares to one (1) ADS representing two hundred (200) Class A ordinary shares. The change became effective on September 20, 2023. On October 4, 2023, Nasdaq confirmed in the compliance notification that the closing bid price of our ADSs has been at \$1.00 per share or greater for the ten consecutive business days from September 20, 2023 through October 3, 2023. Accordingly, we have regained compliance with the Nasdaq Capital Market minimum bid price requirement.

There can be no assurance that we will continue to meet the minimum bid price requirement or any other requirements in the future. The failure to maintain our listing on the Nasdaq would have an adverse effect on the market price and liquidity of our ADSs. Without a Nasdaq listing, shareholders may have a difficult time getting a quote for the sale or purchase of our ADSs, the sale or purchase of our ADSs would likely be made more difficult, and the trading volume and liquidity of our ADSs could decline. Delisting from the Nasdaq could also result in negative publicity and could make it more difficult for us to raise additional capital.

Under our dual-class share structure with different voting rights, holders of Class B ordinary shares have complete control of the outcome of matters put to a vote of shareholders, which may limit ability of holders of our Class A ordinary shares and the ADSs 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.

We have adopted a dual-class share structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. In respect of matters requiring the votes of shareholders, each Class A ordinary share is entitled to one vote, and each Class B ordinary share is entitled to 10 votes. 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. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by a holder thereof to any person who is not a Founder or an affiliate of a Founder, each of such Class B ordinary shares will be automatically and immediately converted into one Class A ordinary share. There is no limit on the circumstances where holders of Class B ordinary shares may transfer or otherwise dispose of their Class B ordinary shares. As of February 28, 2026, Mr. Jinnan (Marco) Lai, our Founder, Chief Executive Officer and Chairman, and Mr. Ning Ding, our Co-founder and Chief Technology Officer, beneficially own all of our issued Class B ordinary shares. They in the aggregate hold approximately 27.9% of our total issued and outstanding share capital and 78.8% of the aggregate voting power of our total issued and outstanding share capital, excluding 841,050 Class A ordinary shares held by Kastle Limited, which holds such Class A ordinary shares in trust for the benefit of certain of our senior management and directors as of February 28, 2026. As a result of this dual-class share structure, the holders of our Class B ordinary shares have complete control over the outcome of matters put to a vote of shareholders and have significant influence over our business, including decisions regarding mergers, consolidations, liquidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. The holders of Class B ordinary shares control the outcome of a shareholder vote (i) with respect to matters requiring an ordinary resolution which requires the affirmative vote of a simple majority of shareholder votes; and (ii) with respect to matters requiring a special resolution which requires the affirmative vote of no less than two-thirds of shareholder votes. The holders of Class B ordinary shares may take actions that are not in the best interest of us or our other shareholders or holders of the ADSs. It may discourage, delay or prevent a change in control of our company, which could have the effect of depriving our other shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and may reduce the price of the ADSs. This concentrated control will limit the ability of the holders of our Class A ordinary shares and the ADSs 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.

The dual-class structure of our ordinary shares may adversely affect the trading market for our ADSs.

S&P Dow Jones and FTSE Russell have recently announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, including the S&P 500, to exclude companies with multiple classes of shares and companies whose public shareholders hold no more than 5% of total voting power from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our ordinary shares may prevent the inclusion of our ADSs representing Class A ordinary shares in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any such exclusion from indices could result in a less active trading market for our ADSs. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our ADSs.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our ADSs, the market price for our 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 our ADSs to decline.

Our ADSs may become the target of a “short squeeze”.

During the past periods, securities of certain companies have increasingly experienced significant and extreme volatility in stock price due to short sellers of shares of common stock and buy-and-hold decisions of longer investors, resulting in what is sometimes described as a “short squeeze.” Short squeezes have caused extreme volatility in those companies and in the market and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Sharp rises in a company’s stock price may force traders in a short position to buy the stock to avoid even greater losses. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment as the price per share has declined steadily as interest in those stocks have abated. We may be a target of a short squeeze, and investors may lose a significant portion or all of their investment if they purchase our ADSs at a rate that is significantly disconnected from our underlying value.

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

We currently intend to retain most, if not all, of our available funds and any future earnings to support the development and growth of our business. As a result, we do not expect to adopt a regular dividend policy in the foreseeable future. However, as our business continues to evolve, we may, from time to time, return capital to shareholders through special cash dividends.

In 2025, we declared and paid a special cash dividend of US\$0.005 per ordinary share, or US\$1.00 per ADS, to holders of ordinary shares and ADSs of record as of a record date approved by our board of directors. The total cash distributed in connection with this dividend was approximately US\$4.3 million. In March 2026, we declared a special cash dividend of US\$0.006 per ordinary share, or US\$1.20 per ADS, to holders of ordinary shares and ADSs of record as of a record date approved by our board of directors. The total cash distributed in connection with this dividend will amount to approximately US\$5 million, with payments expected to be made on or around May 12, 2026, for holders of ordinary shares and ADSs. You should not rely on an investment in our ADSs as a source for any future dividend income.

Our board of directors (the “Board”) has approved a special cash dividend of US\$0.006 per ordinary share, or US\$1.20 per American Depositary Share (“ADS”), to holders of ordinary shares and ADSs of record as of the close of business on April 22, 2026 (U.S. Eastern Time). The aggregate amount of the cash dividend will amount to approximately US\$5 million, with payments expected to be made on or around May 12, 2026, for holders of ordinary shares and ADSs.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to 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 our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our 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 our ADSs and you may even lose your entire investment in our ADSs.

The sale or potential sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Our ADSs are freely tradable by persons other than our affiliates without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act. In addition, common shares subject to our outstanding share-based awards, including options, restricted shares and restricted share units, are eligible for sale in the public market to the extent permitted by the provisions of various vesting agreements, Rules 144 and 701 under the Securities Act. We may also issue additional options in the future which may be exercised for additional common shares and additional restricted shares and restricted share units which may vest. As of February 28, 2026, we had 834,829,150 ordinary shares outstanding, being the sum of 611,614,150 Class A ordinary shares (excluding 841,050 Class A ordinary shares held by Kastle Limited) and 223,215,000 Class B ordinary shares. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

Certain holders of our Class A ordinary shares may cause us to register under the Securities Act the sale of their shares. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

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 the voting of the underlying Class A ordinary shares which are represented by your ADSs.

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying Class A ordinary shares representing your ADSs in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depository. Upon receipt of your voting instructions, the depository will vote the underlying Class A ordinary shares representing your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying Class A ordinary shares representing your ADSs unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our Second Amended and Restated Memorandum and Articles of Association, the minimum notice period required for convening a general meeting is seven days. When a general meeting is convened, you may not receive sufficient advance notice enable you to withdraw the shares underlying your ADSs and become the registered holder of such shares prior to the record date of the general meeting to allow you to vote with respect to any specific matter. In addition, under our Second 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 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 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. Where any matter is to be put to a vote at a general meeting, the depository will use its best endeavors to notify you of the upcoming vote and 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 depository to vote your shares. In addition, the depository 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 vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

Except in limited circumstances, the depositary for our ADSs will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not timely and properly give voting instructions to the depositary as to how to vote the Class A ordinary shares underlying your ADSs, the depositary will give us or our nominee 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 timely and properly give voting instructions to the depositary as to how to vote the Class A ordinary shares underlying your ADSs at shareholders' meetings, you cannot prevent such 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 ordinary shares are not subject to this discretionary proxy.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement.

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby or by virtue of owning the ADSs may only be instituted in a state or federal court in New York, New York, and you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such action or proceeding. However, the depositary may, in its sole discretion, require that any dispute or difference arising from the relationship created by the deposit agreement be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement. The arbitration provisions in the deposit agreement do not preclude you from pursuing claims under federal securities laws in federal courts. Also, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.

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

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

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

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

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

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make such rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depository will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings in the future and may experience dilution in your holdings.

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

The depository of our 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 our 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 depository 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 depository 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 depository may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, Class A 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, Class A 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 our ADSs.

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

Your ADSs are transferable on the books of the depository. However, the depository 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 depository 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 depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our 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.

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. We conduct substantially all of our operations in China and substantially all of our assets are outside of the United States. In addition, a majority of our directors and executive officers named in this annual report reside within China and are nationals of countries other than the United States, all of our directors and officers are located outside of the Cayman Islands, and most of the assets of these persons are located outside of the United States. Service of court documents on a Cayman Islands company can be effected by serving the documents at the company's registered office and it may be possible to enforce foreign judgments in the Cayman Islands against a Cayman Islands company, subject to some exceptions. However, if investors wish to serve documents on and/or enforce foreign judgments against our directors and officers, they will need to ensure that they comply with the rules of the jurisdiction where the directors and officers are located. As a result, it may be difficult or impossible for you to effect service of process within the United States upon these individuals, or to bring an action against us or against these individuals in the United States in the event that you believe your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers, depending on where the directors and officers are located.

Our memorandum and 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 Second Amended and Restated Memorandum and Articles of Association contain certain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions, including a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. These provisions could have the effect of depriving our shareholders and ADSs holders of the opportunity to sell their shares or ADSs at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

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 limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Second Amended and Restated Memorandum and Articles of Association, the Companies Act (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are governed by the Second Amended and Restated Memorandum and Articles of Association, the Companies Act (as amended) and common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England and Wales, the decisions of the English courts are of highly persuasive authority, but are not binding, on a court in the Cayman Islands (except for those decisions handed down from the Judicial Committee of the Privy Council to the extent that these have been appealed from the Cayman Islands courts). The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are broadly similar to those in other common law jurisdictions, but there may be differences in the statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a different body of securities laws than the United States. In addition, if shareholders want to proceed against the Company outside of the Cayman Islands, they will need to demonstrate that they have standing to initiate a shareholder derivative action in a federal court of the United States. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The United States and the Cayman Islands do not have a treaty providing for reciprocal recognition and enforcement of judgments of U.S. courts in civil and commercial matters and the courts of the Cayman Islands and that there is uncertainty as to whether a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability provisions, whether or not predicated solely upon the U.S. federal securities laws, would be enforceable against us or our directors or officers in the Cayman Islands. This uncertainty relates to whether such a judgment would be determined by the courts of the Cayman Islands to be fiscal, penal or punitive in nature or contrary to Cayman Islands public policy.

Notwithstanding the above, a final and conclusive judgment obtained in U.S. federal or state courts under which a definite sum of money is payable as compensatory damages and not in respect of laws that are fiscal or penal in nature (i.e., not being a sum claimed by a revenue authority for taxes or other charges of a similar nature by a governmental authority, or in respect of a fine or penalty or multiple or punitive damage, or contrary to Cayman Islands public policy) will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that:

- i. the court that gave the judgment was competent to hear the action in accordance with private international law principles as applied by the courts in the Cayman Islands and the parties subject to such judgment either submitted to such jurisdiction or were resident or carrying on business within such jurisdiction and were duly served with process;

- ii. the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;
- iii. the judgment was final and conclusive and for a liquidated sum;
- iv. the judgment was not obtained by fraud; and
- v. the judgment was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or public policy in the Cayman Islands.

A Cayman Islands court may impose civil liability on us or our directors or officers in a suit brought in the Grand Court of the Cayman Islands against us or these persons with respect to a violation of U.S. federal securities laws, provided that the facts surrounding any violation constitute or give rise to a cause of action under Cayman Islands law.

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 management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

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

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

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

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

As a Cayman Islands exempted company listed on Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, Nasdaq 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 Nasdaq corporate governance listing standards. For example, neither the Companies Act (as amended) of the Cayman Islands nor our Memorandum and Articles requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, and our independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present. We follow home country practice with respect to annual general meetings and do not hold an annual general meeting of shareholders every year. If we choose to follow other home country practice in the future, our shareholders may be afforded less protection than they otherwise would under Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

We are a “controlled company” within the meaning of the rules of the Nasdaq and, as a result, can rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

We are a “controlled company” as defined under the rules of the Nasdaq since our Founders, Mr. Jinnan (Marco) Lai and Mr. Ning Ding, beneficially owns more than 50% of our total voting power. For so long as we remain a controlled company under this definition, we are permitted to elect to rely, and currently we intend to rely, on certain exemptions from corporate governance rules, including the exemption from the rule that a majority of our board of directors must be independent directors. As a result, you may not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

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

As an exempted company incorporated in the Cayman Islands company with limited liability that is listed on the Nasdaq, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq 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 Nasdaq corporate governance listing standards. We have relied on and plan to rely on home country practice with respect to our corporate governance. Specifically, we do not plan to have a majority of independent directors serving on our board of directors or to establish a nominating committee and a compensation committee composed entirely of independent directors. For details, please refer to “Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Board of Directors” and “Item 16.G. Corporate Governance.” As a result, our shareholders may be afforded less protection than they otherwise would enjoy under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers.

If we were deemed to be an “investment company” under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, results of operations and financial condition.

We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. Rule 3a-1 under the Investment Company Act generally provides that an entity will not be deemed to be an “investment company” for purposes of the Investment Company Act if: (a) it does not hold itself out as being engaged primarily, and does not propose to engage primarily, in the business of investing, reinvesting or trading securities and (b) consolidating the entity’s wholly-owned subsidiaries (within the meaning of the Investment Company Act), no more than 45% of the value of its assets (exclusive of U.S. government securities and cash items) consists of, and no more than 45% of its net income after taxes (for the past four fiscal quarters combined) is derived from, securities other than U.S. government securities, securities issued by employees’ securities companies, securities issued by qualifying majority owned subsidiaries of such entity and securities issued by qualifying companies that are controlled primarily by such entity.

We believe that we are engaged primarily in the business of developing and operating online audio applications and social networking platforms, and not in the business of investing, reinvesting or trading in securities. We hold ourselves out as such and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that the Company is what is frequently referred to as an “orthodox” investment company as defined in the Investment Company Act and described in clause (a) in the first sentence of the preceding paragraph. We also believe that the primary source of income from our businesses is properly characterized as income derived from our operating business, and not from investment securities. Furthermore, the Company’s assets, consolidated with its wholly-owned subsidiaries (within the meaning of the Investment Company Act), consist primarily of assets that we believe would not be considered securities for purposes of the Investment Company Act. Therefore, we believe that, consolidating the Company’s wholly-owned subsidiaries (within the meaning of the Investment Company Act), no more than 45% of the value of its assets (exclusive of U.S. government securities and cash items) consists of, and no more than 45% of its net income after taxes (for the past four fiscal quarters combined) is derived from, securities other than U.S. government securities, securities issued by employees’ securities companies, securities issued by qualifying majority-owned subsidiaries of the Company and securities issued by qualifying companies that are controlled primarily by the Company. Accordingly, we do not believe the Company is an investment company by virtue of the 45% test in Rule 3a-1 under the Investment Company Act as described in clause (b) in the first sentence of the preceding paragraph. Alternatively, we believe the Company is not an investment company under section 3(b)(1) of the Investment Company Act because it is primarily engaged in a non-investment-company business.

The need to comply with the Investment Company Act tests may cause us to restrict our business and subsidiaries with respect to the assets in which we can invest and/or the types of securities we may issue, sell investment securities, including on unfavorable terms, acquire assets or businesses that could change the nature of our business or potentially take other actions that may be viewed as adverse to the holders of our ordinary shares and the ADSs, in order to conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

If anything were to happen which would cause the Company to be deemed to be an investment company under the Investment Company Act, we may lose our ability to raise money in the U.S. capital markets and from U.S. lenders, and additional restrictions under the Investment Company Act could apply to us, all of which could make it impractical for us to continue our business as currently conducted. This would materially and adversely affect the value of your ordinary shares and the ADSs and our ability to pay dividends in respect of our ordinary shares and the ADSs.

We were likely a passive foreign investment company, or PFIC, for 2025 and there is a significant risk that we will be a PFIC for 2026 and possibly subsequent taxable years, in which case U.S. investors will generally be subject to adverse U.S. federal income tax consequences.

In general, a non-U.S. corporation is a passive foreign investment company for U.S. federal income tax purposes, or PFIC, for any taxable year in which (i) 75% or more of its gross income consists of passive income; or (ii) 50% or more of the value of its assets (generally determined on an average quarterly basis) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns (or is treated as owning for U.S. federal income tax purposes), directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and certain gains. Cash is generally a passive asset for these purposes. Goodwill (the value of which may be determined by reference to the excess of the sum of the corporation’s market capitalization and liabilities over the value of its assets) is generally characterized as a non-passive or passive asset based on the nature of the income produced in the activity to which the goodwill is attributable.

The assets shown on our balance sheet consist primarily of cash and cash equivalents, and while this continues to be the case our PFIC status for any taxable year will depend largely on the value of our goodwill. The value of our goodwill for any taxable year may be determined in large part by reference to our average quarterly market capitalization for that year. Because of the low average value of our market capitalization during 2025, we believe we were likely a PFIC for our 2025 taxable year, and there is a significant risk that we will also be a PFIC for 2026 and possibly future taxable years. However, our PFIC status for any taxable year is an annual factual determination that can be made only after the end of that year and depends on the composition of our income and assets and the value of our assets from time to time. In addition, the extent to which our goodwill should be characterized as a non-passive asset is not entirely clear, and we have not obtained any valuation of our assets (including goodwill). Moreover, it is not entirely clear how the contractual arrangements between us, our WFOEs, the VIEs and the shareholders of the VIEs will be treated for purposes of the PFIC rules, and we may be or become a PFIC for any taxable year for which we would not otherwise be a PFIC if the VIEs are not treated as owned by us for these purposes. For these reasons, we cannot express an expectation as to our PFIC status for 2026 or any future taxable year. U.S. holders of our ADSs or ordinary shares should consult their tax advisers regarding the value and characterization of our assets for purposes of the PFIC rules.

If we are a PFIC for any taxable year during which a U.S. taxpayer holds ADSs or ordinary shares, the U.S. taxpayer generally will be subject to adverse U.S. federal income tax consequences, including increased tax liability on disposition gains and “excess distributions” and additional reporting requirements. This will generally continue to be the case even if we cease to be a PFIC in a later taxable year, unless a “deemed sale” election is made. See “Item 10. Additional Information—10.E. Taxation—Material U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Rules.”

ITEM 4. INFORMATION ON THE COMPANY

4.A. History and Development of the Company

Corporate History

We commenced operations in 2010 with the establishment of Guangzhou Lizhi.

In November and October 2010, each of Lizhi Holding Limited and Lizhi Inc. (“**Lizhi BVI**”), our wholly owned subsidiaries, was incorporated in Hong Kong and the British Virgin Islands, respectively.

In March 2011, Beijing Hongyiyichuang Information Technology Co., Ltd., or Hongyi Technology, our wholly owned subsidiary, was established in the PRC. In March 2011, due to the restrictions imposed by PRC laws and regulations on foreign ownership of companies engaged in value-added telecommunication services and certain other businesses, Hongyi Technology entered into a series of contractual arrangements, as supplemented and amended, with Guangzhou Lizhi and then shareholders of Guangzhou Lizhi, by which Hongyi Technology may consolidate Guangzhou Lizhi’s financial statements under U.S. GAAP. For details, please refer to “Item 4. Information on the Company—4.C. Organizational Structure—Contractual Arrangements with the VIEs and the VIEs’ Respective Shareholders.”

In October 2013, we launched the LIZHI App operated by Guangzhou Lizhi.

From 2015 to 2020, a number of entities were established, all of which are wholly and directly held by Guangzhou Lizhi and provide supporting services to our apps.

In July 2016, Guangzhou Huanliao Network Technology Co., Ltd., was established in the PRC by Guangzhou Lizhi. In March 2019, Guangzhou Tiya, our wholly owned subsidiary, was established in the PRC. In May 2019, Guangzhou Tiya entered into a series of contractual arrangements with Guangzhou Huanliao and then shareholder of Guangzhou Huanliao, by which Guangzhou Tiya may consolidate Guangzhou Huanliao’s financial statements under U.S. GAAP. To streamline our operations in China, we terminated the entire series of VIE arrangements between and among Guangzhou Tiya, Guangzhou Huanliao and the shareholder(s) of Guangzhou Huanliao in July 2022. Concurrently with such termination, Guangzhou QingYin, our wholly owned subsidiary established in July 2022 in the PRC, entered into a new series of contractual arrangements by and among Guangzhou QingYin, Guangzhou Huanliao and the shareholders of Guangzhou Huanliao in July 2022, which were last amended and restated in May 2023, and by which Guangzhou QingYin may consolidate Guangzhou Huanliao’s financial statements under U.S. GAAP. Guangzhou Yuyin and Guangzhou Yuechuang, our wholly owned subsidiaries established in August 2022 and February 2022, respectively, have not entered into any contractual arrangements with the VIEs and the VIEs’ subsidiaries. For details, please refer to “Item 4. Information on the Company—4.C. Organizational Structure—Contractual Arrangements with the VIEs and the VIEs’ Respective Shareholders.”

As such, we refer to each of Hongyi Technology, Guangzhou Tiya, Guangzhou QingYin, Guangzhou Yuyin and Guangzhou Yuechuang as our wholly foreign owned entity, or WFOE, and to each of Guangzhou Lizhi and Guangzhou Huanliao as our variable interest entity, or VIE, in this annual report.

In January 2019, Sound Group Inc. (formerly known as LIZHI INC.), our current ultimate holding company, was incorporated under the laws of the Cayman Islands as part of the restructuring transactions in contemplation of our initial public offering. In connection with its incorporation, in March 2019, we completed a share swap transaction and issued ordinary and preferred shares of Sound Group Inc. to the then existing shareholders of Lizhi BVI, a company incorporated under the laws of the British Virgin Islands, based on their then respective equity interests held in Lizhi BVI. Lizhi BVI then became our wholly owned subsidiary.

In 2019, as a step to expand our business presence outside mainland China, we incorporated VOCAL BEATS Inc. (formerly known as NASHOR INC. and Sugar Chat Inc.) under the laws of the British Virgin Islands and Tiya Inc. under the laws of Cayman Island. NASHOR PTE. LTD. (formerly known as SUGAR CHAT PTE. LTD.) and TIYA PTE. LTD. were incorporated under the laws of Singapore for the purposes of carrying out our overseas operations.

We are a holding company and do not directly own any substantive business operations in the PRC. We currently focus our business operations within the PRC through the VIEs, Guangzhou Lizhi and Guangzhou Huanliao. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Corporate Structure.” Guangzhou Lizhi and Guangzhou Huanliao and their respective subsidiaries hold our ICP License, Internet Culture Operation License, Radio and Television Program Production and Operating Permit, and other licenses or permits that are necessary for our business operations in the PRC.

In January 2020, we completed an initial public offering in which we offered and sold an aggregate of 82,000,000 Class A ordinary shares in the form of ADSs. On January 17, 2020, the ADSs commenced trading on the Nasdaq Global Market under the symbol “LIZI.” In April 2021, we raised approximately US\$30,000,002 of gross proceeds before deducting placement agent fees and other offering expenses through a follow-on offering in April 2021.

In March 2023, we received approval from the Nasdaq to transfer the listing of our ADSs from the Nasdaq Global Market to the Nasdaq Capital Market. Our ADSs have been listed on the Nasdaq Capital Market since March 30, 2023, and prior to that were listed on the Nasdaq Global Market from January 17, 2020 to March 29, 2023, both under the symbol “LIZI”. Following the ratio change of the Company’s ADSs to Class A ordinary shares, which commenced on September 20, 2023, each ADS now represents two hundred (200) of our Class A ordinary shares.

In January 2024, we changed our corporate name from “LIZHI INC.” to “Sound Group Inc.” and changed the ticker symbol of our American depositary shares listed on the Nasdaq Capital Market from “LIZI” to “SOGP.” Trading under the new ticker symbol commenced on January 25, 2024.

Corporate Information

Our principal executive offices are located at 108 Robinson Road, #09-01 Singapore 068900. Our telephone number at this address is +65 62021360. Our registered office in the Cayman Islands is located at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc. located at 122 East 42nd Street, 18th Floor, New York. Our corporate website is www.soundgroupinc.com. Our investor relations website is ir.soundgroupinc.com. The information contained in our website is not a part of this annual report.

The SEC maintains an internet site at <http://www.sec.gov> that contains reports, information statements, and other information regarding issuers that file electronically with the SEC.

Recent Regulatory Development Regarding Cybersecurity

On June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law 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. The Data Security Law also requires data processing operators to establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures, which took effect on February 15, 2022. Pursuant to Cybersecurity Review Measures, in addition to “critical information infrastructure operators”, network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures. In addition, network platform operators who possess personal information of more than one million users, and intend to be listed at a foreign stock exchange must be subject to the cybersecurity review.

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; and (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.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires that any data processor providing data collected and generated during operations within the territory of the PRC or personal information to an overseas recipient in the following situations shall report security assessment for its outbound data transfer to the CAC: (a) a data processor provides important data abroad; (b) a critical information infrastructure operator or a data processor processing personal information of more than one million individuals provides personal information abroad; (c) a data processor has provided personal information of more than one hundred thousand individuals abroad or sensitive personal information of more than ten thousand individuals abroad since January 1, 2021; and (d) other situations that are stipulated by CAC.

On February 22, 2023, the CAC promulgated the Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, which took effect on June 1, 2023. The Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, specified the applicable scope of, conditions to enter into and detailed filing requirements for standard contracts on cross-border transfer of personal information, which became a part of the compliance mechanism for personal information protection.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flows, which required security assessment for the data processor that provides data to an overseas recipient and meets any of the following conditions, (i) for critical information infrastructure operators that provide any personal information or important data to an overseas recipient, and (ii) for data processors that are not critical information infrastructure operators, that provide any important data to an overseas recipient, or that have cumulatively provided the personal information (excluding sensitive personal information) of not less than 1 million individuals or the sensitive personal information of not less than 10,000 individuals to overseas recipients as of January 1 of the current year. These provisions also stipulated that, when data processors that are not critical information infrastructure operators have cumulatively provided to an overseas recipient the personal information (excluding sensitive personal information) of not less than 100,000 individuals but less than 1 million individuals or the sensitive personal information of less than 10,000 individuals, the data processors must enter into a standard contract for cross-border transfer of personal information with the data recipient or pass a personal information protection certification.

On September 24, 2024, the General Office of the State Council issued the Regulation on Network Data Security Management, which took effect on January 1, 2025 and provides that where network data processing activities carried out by a network data processor affect or may affect national security, national security review shall be conducted in accordance with the relevant provisions issued by the state. The Regulation on Network Data Security Management also provides that where it is indeed necessary to provide an overseas party with important data collected and generated by a network data processor during its operation within the territory of the People’s Republic of China, it shall be subject to the security assessment of outbound data transfer organized by the cyberspace administration of the state.

As of the date of this annual report, we have not been involved in any investigations or become subject to a cybersecurity review initiated by the CAC based on the Cybersecurity Review Measures, and we have not received any inquiry, notice, warning, sanctions in such respect or any regulatory objections to our listing status from the CAC.

Potential CSRC Approval Required for the Listing of our ADSs

On July 6, 2021, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law. These opinions call for strengthened regulation over illegal securities activities and supervision on overseas listings by China-based companies and propose to take effective measures, such as promoting the development of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC promulgated the Trial Measures, effective from March 31, 2023, which regulates both direct and indirect offering and listing of PRC domestic enterprises' securities by adopting a filing-based regulatory regime, requiring PRC domestic companies seeking to directly or indirectly offer securities and list in overseas markets to file with the CSRC. For more details, please see "—4.B. Business Overview—Regulations Related to M&A and Overseas Listings."

As these opinions and regulations were newly issued, there are still uncertainties regarding the interpretation and implementation of such opinions and regulations. In addition, new rules or regulations promulgated in the future could impose additional requirements on us. If the CSRC or other relevant PRC regulatory agencies subsequently determine that approval or filing is required for any of our future offerings of securities overseas or to maintain the listing status of our ADSs either in accordance with the Trial Measures or any new rules or regulations promulgated in the future, we cannot guarantee that we will be able to obtain such approval or complete such filing in a timely manner to maintain the listing status of our ADSs on the Nasdaq or to conduct offerings of securities in the future. We have been closely monitoring regulatory developments and requirements regarding any necessary approvals from the CSRC, the CAC, or other PRC regulatory authorities required for overseas listings. As of the date of this annual report, we have not received any inquiry, notice, warning, sanctions or regulatory objection from the CSRC in relation to our previous issuance of securities.

Contractual Arrangements and Corporate Structure

We are a Cayman Islands company and currently conduct substantially all of our business operations in the PRC through the VIEs, Guangzhou Lizhi and Guangzhou Huanliao, due to PRC legal restrictions on foreign ownership in value-added telecommunication services and other internet related business. We control Guangzhou Lizhi and Guangzhou Huanliao, the VIEs, through a series of contractual arrangements. We conduct a significant portion of our businesses in China through Guangzhou Lizhi and Guangzhou Huanliao. It is the VIEs that hold our key operating licenses, provide services to our customers, and enter into contracts with our suppliers. These contractual arrangements entered into with the VIEs allow us to (i) exercise all the management rights over the VIEs, (ii) receive substantially all of the economic benefits of the VIEs, and (iii) have an exclusive option to purchase all or part of the equity interests in the VIEs when and to the extent permitted by PRC law. These contractual arrangements include the operation agreement, equity pledge agreement, exclusive equity transfer option agreement, exclusive technical consulting and service agreement, etc., as the case may be. As a result of these contractual arrangements, we are considered the primary beneficiary of the VIEs and consolidate their operating results in our financial statements under U.S. GAAP.

We do not have any equity interests in the VIEs who are owned by certain nominee shareholders. As a result, control through these contractual arrangements may be less effective than direct ownership, and we could face heightened risks and costs in enforcing these contractual arrangements, because there are uncertainties regarding the interpretation and application of current and future PRC laws, regulations, and rules relating to the legality and enforceability of these contractual arrangements. If the PRC government finds such agreements to be illegal, we could be subject to severe penalties or be forced to relinquish our interests in the VIEs.

Material Licenses and Permits

Our PRC subsidiaries and the VIEs have obtained all material licenses and approvals required for our operations in China, excepts as disclosed in "Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—If we fail to obtain or maintain the required licenses and approvals or if we fail to comply with laws and regulations applicable to our industry, our business, financial condition and results of operations may be materially and adversely affected." If our PRC subsidiaries and the VIEs fail to obtain, hold or maintain any of the required licenses or permits or make the necessary filings on time or at all, we may be subject to various penalties, such as confiscation of the net revenues that were generated through the unlicensed 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.

Restrictions on Foreign Exchange and the Ability to Transfer Cash between Entities, Across Borders and to U.S. Investors

In the future, if and when we become profitable, Sound Group Inc.'s ability to pay dividends, if any, to its shareholders and ADS holders and to service any debt it may incur will depend upon dividends paid by our PRC subsidiaries. Under PRC laws and regulations, our PRC subsidiaries are subject to certain restrictions with respect to paying dividends or otherwise transferring any of their net assets offshore to Sound Group Inc. In particular, under the current effective PRC laws and regulations, dividends may be paid only out of distributable profits. Distributable profits are the net profit as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to certain surplus or reserve funds required to be made. Each of our PRC subsidiaries 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 the statutory surplus fund or general reserve fund, until the aggregate amount of such a fund reaches 50% of its registered capital. As a result, our PRC subsidiaries may not have sufficient distributable profits to pay dividends to us in the near future.

Furthermore, if certain procedural requirements are satisfied, the payment of current account items, including profit distributions and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from State Administration of Foreign Exchange (the "SAFE") or its local branches. However, where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies, approval from or registration with competent government authorities or its authorized banks is required. The PRC government may take measures at its discretion from time to time to restrict access to foreign currencies for current account or capital account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our offshore intermediary holding companies or ultimate parent company, and therefore, our shareholders or investors in our ADSs. Further, we cannot assure you that new regulations or policies will not be promulgated in the future, which may further restrict the remittance of RMB into or out of the PRC. We cannot assure you, in light of the restrictions in place, or any amendment to be made from time to time, that our current or future PRC subsidiaries will be able to satisfy their respective payment obligations that are denominated in foreign currencies, including the remittance of dividends outside of the PRC. 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 Sound Group Inc. In addition, our PRC subsidiaries are required to make appropriations to the statutory surplus fund or general reserve fund, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies.

For PRC and United States federal income tax consideration of an investment in the ADSs, see "Item 10. Additional Information—10.E. Taxation."

Implication of the Holding Foreign Companies Accountable Act

Trading in our securities on U.S. markets, including the Nasdaq Stock Market LLC, or the Nasdaq, may be prohibited under the Holding Foreign Companies Accountable Act (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 Public Company Accounting Oversight Board (the "PCAOB") issued the HFCAA Determination Report to notify the SEC of its determinations that the PCAOB was unable to inspect or investigate completely registered public accounting firms headquartered in mainland China and Hong Kong (the "2021 Determinations"), including our former auditor. On May 4, 2022, we were conclusively identified by the SEC under the HFCAA as having filed audit reports issued by a registered public accounting firm that cannot be inspected or investigated completely by the PCAOB in connection with the filing of our 2021 Form 20-F. The inability of the PCAOB to conduct inspections in the past also deprived our investors of the benefits of such inspections. On December 15, 2022, the PCAOB announced that it was able to conduct inspections and investigations completely of PCAOB-registered public accounting firms headquartered in mainland China and Hong Kong in 2022. The PCAOB vacated its previous 2021 Determinations accordingly.

Our current auditor, Enrome LLP, is headquartered in Singapore and subject to inspection by the PCAOB. Our current auditor was not among the PCAOB-registered public accounting firms headquartered in mainland China or Hong Kong that were subject to 2021 Determinations. As a result, we do not believe we are at risk of having our securities subject to a trading prohibition under the HFCAA unless a new determination is made by the PCAOB. Notwithstanding the foregoing, in the future, if it is determined that the PCAOB is unable to inspect or investigate our auditor completely, or the PCAOB expands the scope of its determinations so that we are subject to the HFCAA, as the same may be amended, you may be deprived of the benefits of such inspection. Any audit reports not issued by auditors that are completely inspected or investigated by the PCAOB, or a lack of PCAOB inspections of audit work undertaken in mainland China and Hong Kong that prevents the PCAOB from regularly evaluating our auditor's audits and their quality control procedures, could result in a lack of assurance that our financial statements and disclosures are adequate and accurate, which could result in limitation or restriction to our access to the U.S. capital markets and trading of our securities. For details, see "Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—The PCAOB had historically been unable to inspect our former auditor in relation to their audit work performed for our financial statements and the inability of the PCAOB to conduct inspections of our auditor in the past has deprived our investors with the benefits of such inspections."; and "Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—Our ADSs may be prohibited from trading in the United States under the HFCAA in the future if the PCAOB is unable to inspect or investigate completely our auditor. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment."

4.B. Business Overview

Overview

We are a global, AI-powered audio company driven by a clear mission and vision: helping people connect better and live happier. Our goal is to integrate voice AI technologies across a wide range of application scenarios, building an open, intelligent audio ecosystem that deeply connects technology, data, and business.

Since our establishment in 2013, we have remained committed to innovation in audio technologies and audio-centric business. In our early years, we capitalized on our extensive library of audio content to build a core user base and established an intelligent system for audio content production and distribution. We focused on delivering high-quality content and have developed an active community with user-generated content (UGC). As our business evolved, we expanded into real-time audio interaction, where our users can interact with others through various interactive features. By creating a comprehensive audio ecosystem that integrates content creators, platforms and users, we have established a virtuous cycle of content creation, user engagement, and monetization.

Leveraging our voice AI technologies and deep expertise in online audio, we are building a diverse ecosystem of intelligent audio products that cater to a global user base. By integrating technology, innovative products and real-world data within a user-centric ecosystem, we aim to generate a powerful growth flywheel that is driving continuous innovation and accelerating global expansion.

Our Products and Offerings

Our product portfolio primarily consists of two major categories: (i) online audio applications and (ii) AI applications. Through deep integration of technology and product capabilities, we provide efficient, intelligent and immersive user experiences across content creation, voice interaction and AI-powered tools.

Online Audio Business

Our online audio business offers a diversified online audio product portfolio designed to meet a wide range of user needs. Our offerings include (i) voice live streaming, (ii) multi-user voice interaction and (iii) podcast content, serving users' needs for social entertainment, online companionship and interest-based engagement. We monetize our online audio business through diversified business models, including virtual gift sales, premium benefits offerings, in-app purchases of virtual avatar items and mini-games, and paid audio content.

AI technologies are embedded throughout our online audio ecosystem and play an important role in content creation, marketing and operational optimization and risk management. We empower creators through AI-enabled tools that enhance creation efficiency and content quality. We also provide content creation platforms that enable intelligent event planning, voice enhancement and AI-driven interactive features. At the operational level, we utilize AI-driven data analytics to gain insights into user preferences and behavioral patterns, dynamically adjust content recommendation and distribution strategies, improve matching efficiency and enhance user retention and conversion. AI technologies also improve the efficiency and quality of content moderation, supporting platform safety and compliance while maintaining a healthy content ecosystem. In terms of user acquisition, we apply AI technologies to automate creative generation and optimize advertising strategies, significantly improving marketing efficiency and user acquisition performance.

AI Application Business

Building upon our core voice AI capabilities accumulated in audio interaction scenarios, we have developed a comprehensive voice AI technology system covering automatic speech recognition (ASR), text-to-speech (TTS), voice cloning, real-time voice interaction, and more voice technologies.

Leveraging these core technologies, we have incubated AI applications targeting global markets and focusing on productivity improvement, efficiency enhancement and professional usage scenarios. Our AI applications currently cover areas such as AI meeting transcription, real-time translation, and voice cloning, serving diverse use cases including business negotiations, education and training, content creation and daily life. These applications enable efficient recording, cross-language communication and refined management of voice information, significantly enhancing user productivity.

Our AI applications adopt a subscription-based business model, offering flexible weekly, monthly and annual plans to meet diverse user needs. We follow a “rapid validation + agile iteration” product strategy, identifying user demands through market insights and continuously optimizing product performance and user experience based on behavioral data analysis to improve retention and paid conversion. As our technology capabilities continue to advance, we are strengthening our “technology × product × data” growth flywheel. Our AI application business represents both a natural extension of our technical expertise and a key pillar of our global strategy.

Technology

Through years of research and development, we have established a comprehensive SoundSphere technology system covering three layers: (i) infrastructure layer, (ii) intelligent technology layer and (iii) intelligent operations layer. This framework supports our core business development and provides a foundation for product innovation and global expansion:

- **Infrastructure Layer.** Our infrastructure layer provides real-time audio and video communication (RTC), instant messaging, cloud-based voice platforms, global network architecture and data analytics systems. It supports high-concurrency, low-latency and high-stability large-scale interactive scenarios. This layer enables high-quality signal processing, low-latency transmission and dynamic network optimization, ensuring stable user experiences across complex environments.
- **Intelligent Technology Layer.** Our intelligent technology layer serves as the core engine of our voice AI capabilities, integrating proprietary automatic speech recognition (ASR), text-to-speech (TTS), voice cloning, real-time voice *interaction*, and more voice technologies. ASR enables speech perception and understanding, including multilingual recognition, semantic analysis and emotion recognition. Our TTS technologies focus on natural speech generation, multilingual synthesis and personalized voice optimization. These capabilities provide competitive advantages in voice understanding, content generation and intelligent interaction across our product portfolio.
- **Intelligent Operations Layer.** Our intelligent operations layer bridges technology and commercialization. It integrates AI-driven content moderation, recommendation systems, data analytics and automatic advertising platform to enhance operational efficiency *and* monetization. Real-time behavioral data supports dynamic recommendation optimization and personalized distribution. Automated moderation systems enhance content safety and compliance, while AI-driven advertising platform improves user acquisition and conversion efficiency.

The coordination of these three layers enables the integration of technological deployment and commercial application at scale, forming our competitive moat. We have integrated selected core voice AI capabilities into the SoundSphereAI platform, which serves as an open and experiential showcase of our voice AI technologies and lays the foundation for potential enterprise integration initiatives.

Our Strengths

Our core competitive strength lies in the synergistic flywheel of technology, products and data. This synergistic flywheel creates a closed-loop system in which real-world application scenario data validate technology, while technology in turn empower products.

Technology validated by data. Compared to companies focused exclusively on general-purpose AI models or algorithm research, we possess an advantage in audio-specific scenarios. We have deeply cultivated the audio application scenarios, developing a well-rounded product portfolio that spans voice content ecosystems, voice interactions, and AI voice tools. This has enabled us to establish a stable user ecosystem and accumulate vast amounts of real-time interaction data across diverse application scenarios. These data resources serve as a critical feedback loop for the continuous enhancement of our technologies and the training of AI models. As a result, we have been able to systematically advance our capabilities in speech recognition, semantic understanding, speech generation, and voice cloning, thereby building a cross-scenario technological advantage.

Products empowered by technology. Our user-facing audio product portfolio also enables us to integrate technological innovation with user needs. Through iterative product development and user feedback, we continuously translate cutting-edge technological advancements into market-ready products and services. With our robust product capabilities and operational expertise, we are well-positioned to identify and respond to user needs, delivering complex AI functionalities in intuitive, user-friendly formats.

Our Growth Strategies

Drive sustainable growth through technological innovation and AI integration

By leveraging advanced technology and data-driven insights, we aim to enhance product experiences, maximize user value, and expand commercialization opportunities while strengthening our global competitive position.

We will continuously strengthen our technological foundation and expanding AI capabilities. By advancing real-time audio and video communication (RTC), cloud platforms, and data analytics systems, we plan to enhance infrastructure to support long-term innovation. Simultaneously, we will continue to deepen core voice AI technologies, such as speech recognition and speech synthesis, to improve intelligence and scalability.

We plan to prioritize applying AI across content recommendation, advertising optimization, data analysis, and risk management, enabling refined operations and intelligent decision-making. Through AI-driven mechanisms and real-time data feedback, we aim to building a self-evolving system for continuous optimization.

Enhance the business ecosystem of our online audio business

We plan to further develop our online audio business through AI technologies:

- **Content production.** We plan to continue to foster an open and sustainable creator ecosystem. We aim to continuously deepen creators and guilds long-term partnerships, include deepening guild collaborations through integrated online and offline activities, and support creator growth through incentive programs. We will also continue to upgrade our AI-powered creator platform, which provides tools such as intelligent event planning, voice enhancement, and interactive features, to improve content quality, content production efficiency, user engagement, and monetization potential.
- **Products and operations.** We plan to focus on diversifying content categories and iterating product designs to align with user needs. To enhance engagement and retention, we plan to host large-scale IP events and themed activities. At the same time, we plan to continuously explore new monetization scenarios and interactive models to boost activity and payment conversions.
- **User growth.** We plan to enhance user acquisition and paying user conversion through our AI-driven advertising platform. We will leverage AI technologies to improve creative production and marketing efficiency, operate automated advertising systems to enable precise user targeting, and deliver personalized content recommendations to enhance user experience. Our platform generates diverse creative materials and continuously optimizes delivery performance through algorithm-driven targeting and analysis.

Enhance our AI application business

Our AI application business represents both a natural evolution of our technical expertise and a key pillar of our global strategic expansion. By leveraging our core strengths in voice technology, we remain dedicated to advancing AI-driven applications that address the increasing demand for intelligent solutions across a wide range of use cases.

Our product strategy focuses on both deepening existing use cases and expanding into new usage scenarios. On the one hand, we seek to address specific user needs within targeted segments by developing and enhancing product features and user experience, with the aim of increasing user engagement. On the other hand, we extend our AI capabilities to additional applicable usage scenarios, enabling broader adoption across different user groups and usage scenarios.

By analyzing user insights, we plan to further refine algorithms, improve products, and build a self-sustaining growth flywheel. We will continue to expand market penetration and develop a global AI product ecosystem, using technological innovation and data as engines of growth.

Monetization

We generate revenues primarily through two categories: (i) value-added services and (ii) subscription and others.

Value-Added Services. Value-added services represent our core monetization channel. In 2023, 2024 and 2025, we generated RMB2,063.3 million, RMB2,018.6 million and RMB3,056.4 million (US\$437.1 million) from value-added services, representing 99.6%, 99.4% and 98.5% of our total net revenues for the same periods. Monetization of value-added services includes virtual gift sales, premium benefits offerings, in-app purchases of virtual avatar items and mini-games offered on our online audio product portfolio.

We offer value-added services to users through a variety of audio-centric, interactive products and features that are intended to drive user engagement and create attractive monetization opportunities. We launched audio live streaming as our first audio interactive feature in 2016, enabling our users to enjoy a multi-dimensional interactive audio experience. Now our product features of the value-added services includes audio live streaming, multi-user voice interactions, and mini-games. We currently generate the majority of our revenues from virtual gift sales associated with our value-added services. Users on our online audio platforms can purchase virtual gifts using our virtual currency Golden Coins and send them to content creators as a form of engagement and support. Users on our online audio platforms may purchase virtual avatar items for customized features and pay for mini-games, through which they can interact with hosts or other users.

Subscription and Others. Subscription and others primarily consist of revenues generated from our AI applications and paid audio content. In 2023, 2024 and 2025, we generated RMB8.4 million, RMB13.2 million and RMB46.3 million (US\$6.6 million) from subscription and others, representing 0.4%, 0.6% and 1.5% of our total net revenues for the same periods.

Our AI applications, including meeting transcription, real-time translation, and voice cloning tools, are offered under subscription-based models with flexible weekly, monthly, and annual plans. In addition, we generate revenues from paid audio content and podcast programs on some of our online audio platforms. While currently representing a smaller portion of our total revenues, we believe this segment has strong growth potential as we continue to expand our AI application portfolio and enhance user monetization through subscription-based models.

Overall, our monetization strategy is supported by a diversified business model that combines user engagement-driven spending in value-added services with subscription-based revenues from AI-powered tools and content offerings.

Content Moderation

We have developed content moderation mechanisms to ensure that the content on our platforms comply with local laws and regulatory requirements in the markets we operate and aim to promote our core value propositions. These content monitoring mechanisms may include user flags and reports, automatic content filtering, real-name registration and user undertakings, etc. The specific mechanisms we implement for each product may vary depending on the applicable laws and regulations in the relevant jurisdictions.

We leverage AI technologies to enhance the efficiency and accuracy of our content moderation processes. Our AI-driven systems support automated detection, classification, and filtering of potentially inappropriate content, enabling timely identification of violations and reducing reliance on manual review.

Our moderation team monitors user flags and reports, user sign-ups and other platform activities through a combination of automated systems and manual review to ensure that inappropriate users and activities are addressed promptly. In cases of minor violations, we may take actions such as removing relevant content or images, issuing warnings, or restricting or suspending user accounts. For severe violations, we may temporarily or permanently terminate the relevant user or host accounts.

User Data Security and Cyber Security

We store our user data in encrypted form, and only allows access from our company's intranet. Access to our servers that store our user and internal data is limited to a "need-to-know" basis and there are strict internal rules and policy in place to govern how we may access and use user data. From time to time we check firewalls and operation systems to ensure there is no breach. We also work with leading data security companies to implement and test data security measures. As of the date of this annual report, there has not any breach of user data that has a material impact on our operations. Our data is backed up in our long-distance disaster recovery system, so as to minimize the possibility of data losses or breaches. Upon a security breach, our technical team will be notified immediately and coordinate with the local supporting staff to diagnose and solve the technical problems. As of the date of this annual report, we have not experienced any material incidents of security breach.

Sales, Branding and Marketing

Our sales, branding and marketing initiatives comprise online marketing and advertising, offline promotions and events, and public relations activities. Through our user experience and service offerings, we have established brand awareness among users, which contributes to organic user growth.

We also leverage AI technologies to enhance the efficiency and effectiveness of our marketing activities. Our AI-driven systems support automated content and creative generation, as well as data-driven optimization of advertising strategies, enabling more targeted user acquisition and improved marketing performance.

In addition, we acquire users for our platforms through online marketing channels such as mobile advertising platforms, search engines, and other online advertising networks. We also conduct branding and promotional activities through various online and offline events.

Competition

We operate in highly competitive markets across our online audio business and AI applications business.

Online audio business. In terms of our online audio business, we compete with other platforms offering voice-based live streaming, interactive audio content, and online entertainment services. We also face competition from large online video platforms, social media platforms, and social networking platforms that compete for user attention, content creators, and engagement time. Our ability to compete effectively in this segment depends on factors including the quality and diversity of our content, user experience, our ability to attract and retain content creators, operational capabilities, and brand recognition.

AI applications. In terms of our AI applications business, we compete with companies offering AI-powered productivity tools, voice-based applications, and general-purpose AI solutions. Our ability to compete in this segment depends on our core voice AI capabilities as well as our ability to translate these technologies into practical and user-friendly applications and continuously iterate based on user feedback.

We believe our competitive position across both business lines is supported by a technology, product, and data-driven approach developed through our long-term focus on audio-centric scenarios. We have established a stable user base and accumulated large volumes of real-time interaction data across diverse use cases, which provide continuous feedback for the optimization of voice AI models. This enables us to enhance our core technology capabilities and improve product performance.

In addition, our direct-to-user product portfolio allows us to closely integrate technological innovation with real-world application scenarios. Through continuous product iteration and user feedback, we are able to refine user experience and support commercialization. Our approach of leveraging data to improve technology, applying technology to enhance products, and using products to validate commercial value supports our ability to compete effectively in both business segments.

Intellectual Property

We regard our intellectual property rights as critical to our operations. We rely on a combination of patents, copyrights, trademarks and trade secret laws to protect our intellectual property. As of December 31, 2025, we had registered:

- 369 trademarks in China;
- 424 trademarks in Hong Kong and other jurisdictions;
- 82 domain names;
- 84 patents in China; and
- 147 software copyrights in China, relating to all of our online communities and other products.

As of December 31, 2025, we had 51 pending trademark applications in China and overseas. In addition, we are in the process of applying for registration of another 21 patents in China. Most of our intellectual property is owned by Guangzhou Lizhi and Guangzhou Huanliao, and certain trademarks, copyrights and domain names are owned by the subsidiaries of the VIEs, Wuhan Lizhi Network Technology Co., Ltd. (“**Wuhan Lizhi**”) and Guangzhou Qianyue Media Co., Ltd. (“**Guangzhou Qianyue**”), for the purpose of maintaining and renewing their operating licenses as required by relevant PRC government authorities. We currently have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration of the same. See “Item 3. Key Information— 3.D. Risk Factors—Risks Related to Our Business and Industry—Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our user and customer base, or our ability to increase their level of engagement.”

We implement comprehensive measures to protect our intellectual property in addition to making trademark and patent registration applications. Our key measures to protect our intellectual property include: (i) trademark searches prior to the launch of our new products; (ii) timely registration and filing with relevant authorities and application of intellectual property rights for our significant technologies; and (iii) overall source code protection of proprietary information.

Human Capital Resources

We value the innovation and collaboration of our employees. Our objective is to promote creativity and production by focusing on talent development, supported by compensation, benefits and health programs.

Talent Development

We provide our employees by offering a number of learning opportunities through a variety of programs, including training sessions, team discussions and expert lectures. We also offer onboarding sessions for new employees to meet each other and familiarize themselves with our product and technology offerings. Furthermore, we focus on developing the management and organizational skills of both new and seasoned managers through leadership programs.

Compensation and Benefits

We provide competitive compensation for our employees and benefits, including share incentive plan. See “Item 6. Directors, Senior Management and Employees—6.B. Compensation” for more information about our share incentive plan.

Health, Safety, Social, and Environmental Matters

We do not operate any manufacturing or warehousing facilities. Therefore, we are not subject to significant health, safety, social, or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. For the year ended December 31, 2025, we had not been subject to any fines or other penalties due to non-compliance with health, work safety, social, or environmental regulations.

See “Item 6. Directors, Senior Management and Employees-6.D. Employees” for more information about our employees.

Licenses and Approvals

The following table sets forth a list of material licenses and approvals, subject to further renewal, that the VIEs and subsidiaries of VIEs are required to obtain to carry out our operations in China.

License	Entity Holding the License	Type of the Entity	Regulatory Authority
ICP License	Guangzhou Lizhi	VIE	Guangdong branch of the MIIT
Internet Culture Operating License	Guangzhou Lizhi	VIE	The Ministry of Culture and Tourism of the Guangdong Province
ICP License	Guangzhou Huanliao	VIE	Guangdong branch of the MIIT
Internet Culture Operating License	Guangzhou Huanliao	VIE	The Ministry of Culture and Tourism of the Guangdong Province
ICP License	Wuhan Lizhi	VIE’s Subsidiary	Hubei branch of the MIIT
Internet Culture Operating License	Wuhan Lizhi	VIE’s Subsidiary	Wuhan Branch of the Ministry of Culture and Tourism of PRC
ICP License	Guangzhou Qianyue	VIE’s Subsidiary	Guangdong branch of the MIIT
Internet Culture Operating License	Guangzhou Qianyue	VIE’s Subsidiary	The Ministry of Culture and Tourism of the Guangdong Province

Regulation

Regulations Related to Foreign Investment

Industry Catalogue Related to Foreign Investment

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC, or the Company Law, which was promulgated by the Standing Committee of the National People’s Congress, or the SCNPC, on December 29, 1993 and last amended on December 29, 2023 and became effective on July 1, 2024. A foreign-invested company is also subject to the Company Law unless otherwise provided in the foreign investment laws.

The establishment and operations of wholly foreign-owned enterprises were mainly governed by the Law of the PRC on Wholly Foreign-Owned Enterprises, which was promulgated by the National People's Congress, or the NPC, on April 12, 1986 and last amended by the SCNPC on September 3, 2016 and became effective on October 1, 2016. The Law of the PRC on Wholly Foreign-Owned Enterprises was repealed by the Foreign Investment Law of the People's Republic of China promulgated by the NPC on March 15, 2019 and effective on January 1, 2020. The establishment and operations of wholly foreign-owned enterprises were also governed by the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises promulgated by the Ministry of Foreign Economy and Trade (now integrated into the Ministry of Commerce of the PRC, or the MOFCOM), on December 12, 1990 and last amended by the State Council on February 19, 2014 and became effective on March 1, 2014. The Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises was repealed by the Detailed Rules for the Implementation of the Foreign Investment Law of the People's Republic of China promulgated by the State Council on December 26, 2019 and effective on January 1, 2020.

On April 8, 2024, the MOFCOM and NDRC promulgated the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version), or the Negative List (2024), which took effect on November 1, 2024. On December 15, 2025, the MOFCOM and NDRC promulgated the Catalog of Industries for Encouraging Foreign Investment (2025 Version), or the Encouraging Catalogue (2025), which took effect on February 1, 2026. On April 8, 2024, the MOFCOM and NDRC promulgated the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2024 Version), or the Negative List (2024), which took effect on November 1, 2024. Pursuant to the Encouraging Catalogue(2025 Version) and the Negative List (2024), foreign-invested projects are categorized as encouraged, restricted and prohibited. Foreign-invested projects that are not listed in the Negative list (2021) and Negative List (2024) are permitted foreign-invested projects.

Foreign Investment in Value-Added Telecommunication Business

According to the Negative List, foreign investors are prohibited from holding more than 50% of equity interests in an enterprise which provides value-added telecommunications services (except for e-commerce business, domestic multi-party communications services, store and forward services and call center services).

According to the Regulations on the Administration of Foreign-Invested Telecommunications Enterprises, or FITE Regulations, promulgated by the State Council on December 11, 2001 and last amended on March 29, 2022, and became effective on February 6, 2016, which set forth detailed requirements including capitalization, investor qualifications and application procedures concerning the establishment of a foreign-invested telecommunications enterprise. Pursuant to the FITE Regulations, foreign investors are prohibited from holding more than 50% of equity interest in a foreign-invested enterprise that provides value-added telecommunications services. Besides, such foreign investors of a foreign-invested telecom enterprise are required to have good performances and operation experiences in operating the value-added telecommunication businesses. On March 29, 2022, the State Council of the PRC issued the Decision to Amend and Abolish Certain Administrative Regulations, which provides to make amendments to the FITE Regulations. The amendments include, among others, removing requirements of having good performances and operation experiences in operating the value-added telecommunication businesses for foreign investors of a foreign-invested telecom enterprise. The amended FITE Regulations took effect on May 1, 2022. There are uncertainties regarding the interpretation and implementation of the newly amended regulations.

On July 13, 2006, the Ministry of Information Industry of the PRC, or the MII (the predecessor of the Ministry of Industry and Information Technology of the PRC, or the MIIT), issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business, or the MII Circular, which provides that (a) foreign investors can only operate telecommunications business in China through telecommunications enterprises with valid telecommunications business operation license; (b) domestic licensees may not rent, transfer or sell telecommunications business licenses to foreign investors in any form or provide any foreign investors with resources, venues or facilities to promote unlicensed operations of telecommunications businesses in China; (c) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks that are used in their daily operations; (d) each value-added telecommunications service provider must have necessary facilities for its approved business operations and maintain such facilities in the geographic regions specified in its license; and (e) all value-added telecommunications service providers should improve their network and information security, establish relevant information safety system and set up emergency plans to ensure network and information safety.

Regulations Related to Telecommunications Services

According to the Telecommunications Regulations of the PRC, or the Telecommunications Regulations, promulgated by the State Council on September 25, 2000 and last revised and came into effect on February 6, 2016, all telecommunications businesses in China have been categorized by the Telecommunications Regulations into basic telecommunications services and value-added telecommunications services. Value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures. The Catalog of Telecommunications Business, or the Catalog, which was issued as an attachment to the Telecommunications Regulations in 2003 and last revised on June 6, 2019 and became effective on the same date, further categorizes various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services. According to the Catalogue, internet information services are classified as value-added telecommunications services. Pursuant to the Telecommunications Regulations, anyone who intends to be engaged in value-added telecommunications services shall obtain an operating license from the MIIT or its provincial level counterparts prior to the commencement of such services.

According to the Administrative Measures on Internet Information Services promulgated by the State Council on September 25, 2000 and last amended in December 6, 2024 and became effective on January 20, 2025, “internet information services” refer to the provision of information through the internet to online users, including “commercial internet information services” and “non-commercial internet information services.” A commercial internet information service operator must obtain an ICP License from the competent governmental authorities before engaging in commercial internet information services in China, while ICP License is not required if the operator will only provide internet information on a non-commercial basis. Besides, internet information service operators in respect of news, publishing, education, health, pharmaceuticals or medical apparatus shall obtain consent of the relevant PRC competent authority as required by relevant laws and regulations before applying for licenses or carrying out record-filing procedures.

The Administrative Measures for Telecommunications Business Licensing promulgated by the MIIT on December 26, 2001 and last amended on July 3, 2017 and became effective on September 1, 2017, set forth specific provisions regarding the qualifications and procedures for obtaining ICP licenses and the administration and supervision of such licenses. A commercial ICP service operator shall obtain an ICP License of such services from the MIIT or its provincial level counterparts prior to the commencement of such services, otherwise such operator might be subject to sanctions including corrective orders and warnings from the competent governmental authority, imposition of fines and confiscation of illegal gains and in serious cases, being included in the list of dishonest telecommunications business operators, suspension of business.

According to the Measures for the Administration of Record-filing of Non-commercial Internet Information Services promulgated by the MII on February 8, 2005 and last amended on January 18, 2024 and became effective on the same date entities engaged in non-commercial internet information services shall go through the record-filing procedures with the provincial telecommunications administration.

In addition to the regulations and measures above, provision of internet information services via mobile internet applications, or app, are regulated by the Administrative Provisions on Information Services of Mobile Internet Applications promulgated by the State Internet Information Office on June 14, 2022 and came into effect on August 1, 2022. Information service providers of mobile internet applications are subject to these provisions, including acquiring relevant qualifications and being responsible for management of information security.

According to the Administrative Provisions on the Information Services Provided Through Official Accounts of Internet Users promulgated by the CAC on January 22, 2021 and came into effect on February 22, 2021, an information service platform for official accounts shall be responsible for management of information content and official accounts.

Guangzhou Lizhi currently holds the Internet Culture Operating License issued by the Ministry of Culture and Tourism of the Guangdong Province on August 2, 2022. Guangzhou Huanliao currently holds the Internet Culture Operating License issued by the Ministry of Culture and Tourism of the Guangdong Province on November 21, 2022. Guangzhou Qianyue currently holds the Internet Culture Operating License issued by the Ministry of Culture and Tourism of the Guangdong Province on May 21, 2024. Wuhan Lizhi currently holds the Internet Culture Operating License issued by the Wuhan Branch of the Ministry of Culture and Tourism of PRC on April 13, 2024. Wuhan Yuyin currently holds the Internet Culture Operating License issued by the Wuhan Branch of the Ministry of Culture and Tourism of PRC on January 15, 2023.

Regulations Related to Online Transmission of Audio-Visual Programs

On April 13, 2005, the State Council promulgated the Certain Decisions on the Entry of the Non-State-owned Capital into the Cultural Industry. On July 6, 2005, five PRC regulatory agencies, namely, the Ministry of Culture, or the MOC, the State Administration of Radio, Film and Television, or the SARFT, the General Administration of Press and Publication, or the GAPP, the NDRC and MOFCOM, jointly promulgated the Several Opinions on Canvassing Foreign Investment into the Cultural Sector. According to these regulations, non-State-owned capital and foreign investors are prohibited to conduct the business of transmitting audio-visual programs through information network.

According to the Administrative Provisions on Internet Audio-visual Program Service, or the Audio-visual Program Provisions, jointly promulgated by the SARFT and MII on December 20, 2007 and last amended by the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT, on August 28, 2015 and became effective on the same date, providers of internet audio-visual program services are required to obtain a License for Online Transmission of Audio-visual Programs, or the Audio-visual License issued by the competent department of radio, film and television or complete certain record-filing procedures. Providers of internet audio-visual program services are generally required to be either state-owned or state-controlled by the PRC government, and the business to be carried out by such providers must satisfy the overall planning and guidance catalog for internet audio-visual program service determined by the competent department of radio, film and television under the State Council.

On May 21, 2008, the SARFT issued the Notice on Relevant Issues Concerning Application and Approval of License for Online Transmission of Audio-visual Programs, as last amended on August 28, 2015 and became effective on the same date, which further sets forth detailed provisions concerning the application and approval process regarding the Audio-visual License. The notice also stipulates that the internet audio-visual program services providers who engaged in such services prior to the promulgation of the Audio-visual Program Provisions shall also be eligible to apply for the license so long as their violation of the laws and regulations is minor and can be rectified in a timely manner and they have no records of violation during the latest three months prior to the promulgation of the Audio-visual Program Provisions.

Further, on March 31, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-visual Programs, which reiterates the requirement for the internet audio-visual programs to be published to the public through information network, where applicable, and prohibits certain types of internet audio-visual programs containing violence, pornography, gambling, terrorism, superstitious or other similarly prohibited elements.

On March 17, 2010, the SARFT issued the Internet Audio-visual Program Services Categories (Provisional), or the Provisional Categories, as amended on March 10, 2017 and became effective on the same date, which classified internet audio-visual program services into four categories. In addition, the Notice concerning Strengthening the Administration of the Streaming Service of Online Audio-Visual Programs promulgated by the SAPPRFT on September 2, 2016 emphasizes that, unless a specific license is granted, audiovisual programs service provider is forbidden from engaging in live streaming on major political, military, economic, social, cultural and sports events.

According to the Guangdong Province Letter for purpose of investigating live streaming businesses, only live streaming services on either (a) major political, military, economics, social, cultural, sports activities or reality event streaming or (b) activities such as general social group cultural activities or sports events are required to apply for an Audio-Visual License. The Guangdong Province Letter further stated that live streaming of online shows, online games and online drama performances do not require an Audio-Visual License.

In March 2018, the SAPPRFT issued the Notice on Further Regulating the Transmission Order of Internet Audio-Visual Programs, which requires that, among others, audio-visual platforms shall: (a) not produce or transmit programs intended to parody or denigrate classic works, (b) not re-edit, re-dub, recaption or otherwise ridicule classic works, radio and television programs, or original internet audio-visual programs without authorization, not transmit re-edited programs which unfairly distort the original content, (d) strictly monitor the adapted content uploaded by platform users and not provide transmission channels for illicit content, (e) immediately take down unauthorized content upon receipt of complaints from copyright owners, radio and television stations, or film and television production institutions, (f) strengthen the administration of movie trailers and prevent improper broadcasting of movie clips and trailers prior to authorized release, and (g) strengthen the administration of sponsorship and endorsement for internet audio-visual programs. Pursuant to this notice, the provincial branches of SAPPRFT shall have the authority to supervise radio stations and websites that offer audio-visual programs within its jurisdiction and require them to further improve their content management systems and implement relevant management requirements.

On November 4, 2016, the State Internet Information Office promulgated the Administrative Provisions on Internet Live-Streaming Services, or Internet Live-Streaming Services Provisions. According to the Internet Live-Streaming Services Provisions, an internet live-streaming service provider shall (i) establish a live-streaming content review platform; (ii) conduct authentication registration of internet live-streaming issuers based on their identity certificates, business licenses and organization code certificates and authentication identification of the registered users based on their mobile numbers; and (iii) enter into a service agreement with internet live-streaming services user to specify both parties' rights and obligations.

According to the Notice on Strengthening the Administration of the Internet Live Streaming Service jointly promulgated by the MIIT, the Ministry of Public Security of the PRC and other government agencies on August 1, 2018, internet live streaming service providers shall go through the procedures of filing with the competent department of telecommunications. The internet live streaming service providers engaged in telecommunications business and internet news information, network performances and internet live streaming of audio-visual programs shall apply to the relevant departments for permission to operate such telecommunication business and shall perform the procedures of record-filing with the local public security department within 30 days after the live streaming service being operated.

According to the Circular on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming issued by the National Radio and Television Administration, or the NRTA, on November 12, 2020, platforms providing online show live streaming or e-commerce live streaming services shall register their information and business operations by November 30, 2020. The overall ratio of front-line content analysts to live streaming rooms shall be 1:50 or higher on such platforms. The training for content analysts shall be strengthened and content analysts who have passed the training shall be registered in the system. A platform shall report the number of its live streaming rooms, streamers and content analysts to the provincial branch of the NRTA on a quarterly basis. Online show live streaming platforms shall tag content and streamers by category. A streamer cannot change the category of the programs offered in his or her live streaming room without prior approval from the platform. Users that are minors or without real-name registration are forbidden from virtual gifting, and platforms shall limit the maximum amount of virtual gifting per time, per day, and per month. When the virtual gifting by a user reaches half of the daily/monthly limit, a consumption reminder from the platform and a confirmation from the user by text messages or other means are required before the next transaction. When the amount of virtual gifting by a user reaches the daily/monthly limit, the platform shall suspend the virtual gifting function for such user for that day or month. To host any e-commerce promotion events such as E-commerce Festival, E-commerce Day or Promotion Day in the forms of live streaming, live performances, live variety shows and other live programs, the platforms shall register the information of guests, streamers, content and settings with the local branch of NRTA 14 business days in advance. Online e-commerce live streaming platforms shall conduct relevant qualification examination and real-name authentication on businesses and individuals providing live-streaming marketing services and keep complete examination and authentication records, and shall not enable imposters or businesses or individuals without qualification or real-name registration to conduct live-streaming marketing services.

According to the Guiding Opinions on Strengthening the Standardized Management of Network Live Broadcasting issued by CAC, Office of the National "Anti-pornography and Anti-illegal" Working Group, MIIT, the Ministry of Public Security, MCT, SAMR and NRTA on February 9, 2021, live streaming platforms that carry out business-oriented network performance activities must hold the internet cultural business license and carry out ICP filing; live streaming platforms that carry out network audio-visual program services must hold the Audio-Visual License (or complete the registration in the national network audio-visual platform information registration management system) and carry out ICP filing; live streaming platforms that carry internet news information service must hold internet news information service license. Live streaming platforms shall file with local cyberspace administration office in a timely manner, and shall cancel its filing immediately after it ceases to provide live streaming services.

Regulations Related to Online Cultural Activities

The MOC promulgated the Interim Provisions on Administration of Internet Culture, or the Internet Culture Provisions, on May 10, 2003, as most recently amended on December 15, 2017 and became effective on the same date. According to the Internet Culture Provisions, internet cultural activities include: (i) producing, reproducing, importing, publishing or broadcasting Internet cultural products; (ii) publishing cultural products on the Internet or transmission thereof to computers, fixed-line or mobile phones, radios, television sets or gaming players for the purpose of browsing, reading, reviewing, using or downloading such products by online users; and (iii) exhibitions and competitions of Internet cultural products. Internet cultural activities are categorized as two categories, namely, commercial and non-commercial. Entities engaged in commercial internet cultural activities shall file the application to the applicable provincial level counterpart of the MOC for approval and obtain an Internet Culture Operation License.

According to the Measures for the Administration of Internet Performance Business Operations promulgated by the MOC on December 2, 2016 and came into effect on January 1, 2017, entities engaged in internet performance business operations shall, in accordance with the Internet Culture Provisions, apply to the cultural administrative department at the provincial level for an Internet Culture Operation License, and the business scope in the license shall expressly include internet performance. An internet performance business entity shall indicate the number of its Internet Culture Operation License in an eye-catching position on the homepage of its website. In July 2016, the MOC promulgated the Notice on Strengthening the Administration of Internet Performance, which regulates the behavior of entities conducting businesses related to internet performance and performers. Entities operating internet performances shall be responsible for the services and content posted on their website by performers. They must refine their content management mechanism and shut down the channel and stop the dissemination of any internet performance as soon as they realize that such internet performance is in violation of relevant laws and regulations. Internet performers shall be responsible for their performances and shall not perform any program containing violence, pornography, or other similarly prohibited elements.

On August 12, 2013, the MOC issued the Administrative Measures for Content Self-review by Internet Culture Business Entities, which requires internet culture business entities to review the content of products and services to be provided prior to providing such content and services to the public. An Internet culture business entity shall establish and improve its content management system. The content management system of an internet culture business entity is required to specify the responsibilities, standards and processes for content review as well as accountability measures, and is required to be filed with the provincial level counterpart of the MOC.

On November 20, 2006, the MOC issued Several Suggestions of the MOC on the Development and Administration of Online Music, which stipulates that the internet service provider engaged in any business relating to online music products shall obtain an Internet Culture Operation License. In addition, foreign investors are prohibited from operating internet culture business.

On October 23, 2015, the MOC promulgated the Notice on Further Strengthening and Improving the Management of Online Music Content. According to this notice, which stipulates that the entities shall examine and verify the content of online music by themselves, while the culture management administration shall supervise in process and afterwards. Guangzhou Lizhi currently holds the Internet Culture Operating License issued by the Ministry of Culture and Tourism of the Guangdong Province on August 2, 2022. Guangzhou Huanliao currently holds the Internet Culture Operating License issued by the Ministry of Culture and Tourism of the Guangdong Province on November 21, 2022. Wuhan Lizhi currently holds the Internet Culture Operating License issued by the Wuhan Branch of the Ministry of Culture and Tourism of PRC on April 13, 2024. Huaian Lizhi currently holds the Internet Culture Operating License issued by the Ministry of Culture and Tourism of the Jiangsu Province on April 1, 2022.

Regulations Related to Online Publication and Cultural Products

On February 4, 2016, State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, or the SAPPRFT, and the MIIT issued the Measures for Online Publication Service Administration, or Online Publication Measures, which took effect on March 10, 2016. The Online Publication Measures introduced an internet publishing license regime for internet publications. According to the Online Publication Measures, the term "online publications" includes games, animation, audio and video readings in literature, art, science and other fields. As of the date of this annual report, we have not obtained an internet publishing license. Currently, we allow hosts to upload their recorded audio clip on our platforms, which may be considered as the "internet publications." Also, we entered into a business cooperation arrangement with a third-party game developer to jointly operate and promote an audio-centric online game on our platforms and share the revenues generated by such game operation. Thus, we may be required to obtain an internet publishing license issued by the authorities. For detailed analysis, see "Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—If we fail to obtain or maintain the required licenses and approvals or if we fail to comply with laws and regulations applicable to our industry, our business, financial condition and results of operations may be materially and adversely affected."

Regulations Related to Production and Operation of Radio and Television Programs

On July 19, 2004, the SARFT promulgated the Regulations on the Administration of Production and Operation of Radio and Television Programs, or the Radio and TV Programs Regulations, as partly amended on December 1, 2020 and became effective on the same date and was further amended on June 3, 2025 by the National Radio and Television Administration (NRTA) upon deliberation and adoption at the executive meeting of the NRTA on May 22, 2025. The amendment was promulgated as NRTA Order No. 15 and became effective on the same date as June 3, 2025. Pursuant to the Radio and TV Programs Regulations, entities engaged in the production of radio and television programs shall apply for the Radio and Television Program Production and Operating Permit from the SARFT or its provincial level counterparts and shall conduct their operations strictly in compliance with the approved scope of production and operation. Guangzhou Lizhi has obtained the License for Production and Operation of Radio and TV Programs for its business.

Regulations Related to Advertising Business

The State Administration for Market Regulation (formerly known as State Administration of Industry and Commerce, “SAMR”) is the primary governmental authority regulating advertising activities in China. Regulations that apply to the advertising business primarily include: (i) the PRC Advertisement Law, promulgated by the Standing Committee of the National People’s Congress on October 27, 1994 and most recently amended on April 29, 2021 and became effective on the same date; and (ii) the Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and which has been effective since December 1, 1987.

On February 25, 2023, the SAMR has issued the Measures for the Administration of Online Advertising, or the Internet Advertising Measures, which came into force on May 1, 2023 and states that all internet advertising activities will be regulated and clearly states that livestreaming room operators and livestreaming marketers must abide by the responsibilities and obligations of internet advertising operators. The Internet Advertising Measures also provides that internet advertisement publishers should not publish advertisements on vehicles, navigation system, or intelligence household electronic appliances without the users’ permission or request. The Internet Advertising Measures further strengthens the one-click-to-close requirement and prohibits advertisements for certain items on Internet media that targets minors, including, among others, advertisements related to online games that are harmful to the physical or mental health of minors.

Regulations Related to Anti-fatigue System, Real-name Registration System

On April 15, 2007, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued a circular requiring protection of minors’ physical and mental health and the implementation of an anti-fatigue system and a real-name registration system by all PRC online game operators. Under the anti-fatigue system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, 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 minor player by half if the minor has reached the “fatiguing” level, and to zero once reaching the “unhealthy” level. To identify whether a game player is a minor and thus subject to the anti-fatigue system, a real-name registration system must be adopted to require online game players to register their real identity information before playing online games.

In 2011, the GAPP, together with several other government agencies, jointly issued the Notice on Initializing the Verification of Real-name Registration for the Anti-Fatigue System on Online Games, or the Real-name Registration Notice, to strengthen the implementation of the anti-fatigue and real-name registration system. The main purpose of the Real-name Registration Notice is to curb addictive online game playing by minors and protect their physical and mental health. On July 25, 2014, the SARFT issued the Notice of In-depth Implementation of the Anti-Fatigue System and Real-Name Registration on Online Games, which became effective on October 1, 2014, further elaborated the requirement, scope of application, supervision measures and the establishment of reporting system in the implementation of the anti-fatigue system and real-name registration on online games.

On May 19, 2025, six PRC government authorities, including the Ministry of Public Security and the CAC, jointly issued the Administrative Measures for National Public Services Related to Cyber Identity Authentication, which took effect on July 15, 2025. The national cyber identity authentication public service platform may legally provide age identification information of minor users to internet platforms for real-name registration verification.

Regulations Related to Internet Information Security and Privacy Protection

According to the Decisions on Maintaining Internet Security, or the Internet Security Decisions, promulgated by the SCNPC on December 28, 2000 and last amended on August 27, 2009 and became effective on the same date, anyone who, making use of the internet, commits any act whether or not listed in the Internet Security Decisions which constitutes a crime shall be investigated for criminal responsibility in accordance with the Criminal Law of the PRC.

Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services promulgated by the MIIT on December 29, 2011, an internet information service provider may not collect any user personal information or provide any such information to third parties without the consent of the users, unless otherwise stipulated by laws and administrative regulations. The internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. The internet information service provider is also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority and cooperate with relevant departments in investigation and solution.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the SCNPC on December 28, 2012 and the Provisions on Protecting the Personal Information of Telecommunication and Internet Users issued by the MIIT on July 16, 2013, any collection and use of user personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or illegally providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC, or the Cybersecurity Law, effective on June 1, 2017 and was further amended and enacted on January 1, 2026. The Cybersecurity Law aims to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and requires that a network operator, which includes, among others, internet information services providers, take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks. Any violation of the provisions and requirements under the Cybersecurity Law may subject the internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. On November 28, 2019, the Secretary Bureau of the Cyberspace Administration of China, the General Office of the Ministry of Industry and Information Technology, the General Office of the Ministry of Public Security and the General Office of the State Administration for Market Regulation promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App, which provides guidance for the regulatory authorities to identify the illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance.

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (the “Necessary Personal Information Rules”), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users’ access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

On June 1, 2021, the Law of the People’s Republic of China on the Protection of Minors (Revised in 2020) or the Minor Protection Law, promulgated by the SCNPC, has come into effect, which specifies stringent requirements for the protection of minors’ information. On April 26, 2024, the Minor Protection Law was revised on and came into force on the same date.

On June 10, 2021, the SCNPC promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies that the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organizational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities, which emphasizes on the prevention of illegal securities activities and tightened supervision on overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules and regulations for overseas listings by Chinese entities and affiliates, including potential extraterritorial application of China's securities laws.

On July 30, 2021, the State Council promulgated the CII Regulations, effective on September 1, 2021. According to the CII Regulations, a "critical information infrastructure" has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, energy, transport, water conservation, finance, public services, e-government affairs and national defense science, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people's livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental authorities as well as the supervision and administrative authorities of the aforementioned important industries and sectors will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the public security department of the State Council of the identification results.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, effective 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 bear responsibilities for their activities of handling personal information, and shall adopt necessary measures to safeguard the security of the personal information that they handle. Otherwise, the entities handling personal information 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 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.

On December 31, 2021, the CAC together with other regulatory authorities published Administrative Provisions on Algorithm Recommendation for Internet Information Services, to be 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.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, which took effect on September 1, 2022. The Measures for the Security Assessment of Data Cross-border Transfer requires that any data processor providing data collected and generated during operations within the territory of the PRC or personal information to an overseas recipient in the following situations shall report security assessment for its outbound data transfer to the CAC: (a) a data processor provides important data abroad; (b) a critical information infrastructure operator or a data processor processing personal information of more than one million individuals provides personal information abroad; (c) a data processor has provided personal information of more than one hundred thousand individuals abroad or sensitive personal information of more than ten thousand individuals abroad since January 1, 2021; and (d) other situations that are stipulated by CAC.

On February 22, 2023, the CAC promulgated the Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, which took effect on June 1, 2023. The Measures for the Standard Contractual Measures for Cross-border Transfer of Personal Information, specified the applicable scope of, conditions to enter into and detailed filing requirements for standard contracts on cross-border transfer of personal information, which became a part of the compliance mechanism for personal information protection.

On March 22, 2024, the CAC issued the Provisions on Promoting and Regulating Cross-border Data Flows, which required security assessment for the data processor that provides data to an overseas recipient and meets any of the following conditions, (i) for critical information infrastructure operators that provide any personal information or important data to an overseas recipient, and (ii) for data processors that are not critical information infrastructure operators, that provide any important data to an overseas recipient, or that have cumulatively provided the personal information (excluding sensitive personal information) of not less than 1 million individuals or the sensitive personal information of not less than 10,000 individuals to overseas recipients as of January 1 of the current year. These provisions also stipulated that, when data processors that are not critical information infrastructure operators have cumulatively provided to an overseas recipient the personal information (excluding sensitive personal information) of not less than 100,000 individuals but less than 1 million individuals or the sensitive personal information of less than 10,000 individuals, the data processors must enter into a standard contract for cross-border transfer of personal information with the data recipient or pass a personal information protection certification.

On September 24, 2024, the General Office of the State Council issued the Regulation on Network Data Security Management, which took effect on January 1, 2025 and provides that where network data processing activities carried out by a network data processor affect or may affect national security, national security review shall be conducted in accordance with the relevant provisions issued by the state. The Regulation on Network Data Security Management also provides that where it is indeed necessary to provide an overseas party with important data collected and generated by a network data processor during its operation within the territory of the People's Republic of China, it shall be subject to the security assessment of outbound data transfer organized by the cyberspace administration of the state.

Regulations Related to Virtual Currency

On January 25, 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling which has implications on the issuance and use of virtual currency. On February 15, 2007, fourteen PRC regulatory authorities jointly issued the Notice on the Reinforcement of the Administration of Internet Cafes and Online Games. According to these regulations, aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual are limited, virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products and trading of virtual currency is strictly banned.

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. The Virtual Currency Notice requires that the operators who engage in issuance of online game virtual currency or offering of online game virtual currency transaction services shall apply for approval from the MOC through its provincial branches. Operators that issue virtual currency for online games are prohibited from offering services for virtual currency trading. Any company that fails to file the necessary application will be subject to sanctions, including but not limited to mandatory corrective actions and fines.

Regulations Related to Intellectual Property Rights

Copyright

According to the Copyright Law of the PRC, or the Copyright Law promulgated by the SCNPC on September 7, 1990 and amended on February 26, 2010 and became effective on April 1, 2010, and its related Implementing Regulations issued by the State Council on August 2, 2002 and last amended on January 30, 2013 and became effective on March 1, 2013, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights shall be enjoyed by the copyright owners. The Copyright Law was further amended on November 11, 2020 and took effect from June 1, 2021.

The PRC National Copyright Administration and MII jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet, or the Copyright Measures, on April 29, 2005, which became effective on May 30, 2005. These measures are formulated to strengthen the administrative protection of the right of communication through information network in Internet information services. Where a copyright owner finds any content communicated through Internet infringes upon his/its copyright, and sends a notice to the Internet information service provider or any other institution entrusted, the Internet information service provider shall immediately take measures to remove the relevant contents, and preserve the copyright owner's notice for 6 months. When imposing administrative penalties upon the act which infringes upon any user's right of communication through information networks, the Measures for Imposing Copyright Administrative Penalties, promulgated on May 7, 2009, shall be applied.

The State Council promulgated the Regulation on Protection of the Right Network Dissemination of Information on May 18, 2006 and last amended on January 30, 2013. As for a network service provider that provides information storage space or provides searching and linking services, if the owner believes that a work, performance, or audio-visual recording involved in its services has infringed upon his/its own right to communicate works to the public over information networks, or has deleted or altered his /its own electronic information management right, he/it can submit a written notification to the network service provider and require that the network service provider to delete such work, performance, or audio-visual recording or disconnect the link with the work, performance, or audio-visual recording.

Pursuant to this regulation, an internet information service provider may be exempted from indemnification liabilities under the following circumstances:

(i) any internet information service provider who provides automatic internet access service upon instructions of its users or provides automatic transmission service of works, performance and audiovisual products provided by its users is not required to assume indemnification liabilities if (a) it has not chosen or altered the transmitted works, performance and audio-visual products; and (b) it provides such works, performance and audio-visual products to the designated user and prevents any person other than such designated user from obtaining the access.

(ii) any internet information service provider who, for the sake of improving network transmission efficiency, automatically stores and provides to its own users, based on the technical arrangement, the relevant works, performances and audio-visual products obtained from any other internet information service provider will not be required to assume the indemnification liabilities if (a) it has not altered any of the works, performance or audio-visual products that are automatically stored; (b) it has not affected such original internet information service provider in grasping the information where the users obtain the relevant works, performance and audio-visual products; and (c) when the original internet information service provider revises, deletes or shields the works, performance and audio-visual products, it will automatically revise, delete or shield the same based on the technical arrangement.

(iii) any internet information service provider, who provides its users with information memory space for such users to provide the works, performance and audio-visual products to the general public via the information network, will not be required to assume the indemnification liabilities if (a) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (b) it has not altered the works, performance and audio-visual products that are provided by the users; (c) it is not aware of or has reason to know the infringement of the works, performance and audio-visual products provided by the users; (d) it has not directly derived any economic benefit from the provision of the works, performance and audio-visual products by its users; and (e) after receiving a notice from the right holder, it has deleted such works, performance and audio-visual products as alleged for infringement pursuant to such regulation.

(iv) an internet information service provider, who provides its users with search services or links, will not be required to assume the indemnification liabilities if, after receiving a notice from the right holder, it has disconnected the link to the works, performance and audio-visual products as alleged for copyright infringement pursuant to this regulation. However, the internet information service provider shall be subject to joint liabilities for copyright infringement if it is aware of or has reason to know the infringement of the works, performance and audio-visual products to which it provides links.

According to the Provisions on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks issued by the Supreme People's Court of China on December 17, 2012 and last amended on December 29, 2020, provides that disseminating works, performances or audio-video products by the internet users or the internet service providers via the internet without the permission of the copyright owners shall be deemed to have infringed the right of dissemination of the copyright owner, except as otherwise provided for by laws and administrative regulations.

The Protection Regulations of Computer Software promulgated by the State Council on June 4, 1991 and last revised on January 30, 2013 and came into effect on March 1, 2013, intends to protect the rights and interests of holders of computer software copyright, regulate the relationship of interests arising from the development, dissemination and use of computer software. A software copyright holder may register with the software registration agency appointed by the copyright administrative department of the State Council. The registration certificate issued by this agency is prima facie evidence of items having been registered. Fees shall be charged for the registration of computer software. Standards for such fees are set by the copyright administrative department of the State Council together with the department of the State Council in charge of pricing.

Trademark

Pursuant to the Trademark Law of the PRC promulgated by the SCNPC on August 23, 1982 and revised on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of PRC Trademark Law promulgated on August 3, 2002 and last amended on April 29, 2014 by the State Council and became effective on May 1, 2014, a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods marks, service marks, collective marks and certification marks. A registered trademark is valid for 10 years commencing on the date of registration approval and can be renewed within 12 months before its expiration. For a registered trademark licensing, licensor should file the licensing of the licensed trademark with the trademark bureau, and the trademark bureau shall announce the licensing, non-filing of the licensing of a trademark shall not be contested against a good faith third party. The following acts shall constitute infringement of the exclusive right to use a registered trademark: (i) using a trademark that is identical to a registered trademark of the same type of commodities without a license from the registrant of that trademark; (ii) using a trademark similar to a registered trademark of the same type of commodities without a license from the trademark registrant, or using of a trademark identical or similar to the registered trademark on similar commodities which easily causes confusion; (iii) selling commodities that infringe upon the exclusive right to use a registered trademark; (iv) forging or manufacturing without authorization the marks of a registered trademark, or selling marks of a registered trademark that are forged or manufactured without authorization; (v) changing another party's registered trademark and putting the commodities with the changed trademark into the market without the consent of the holder of that trademark; or (vi) intentionally providing facilitation for infringement upon others' right to exclusively use a registered trademark or aiding others in committing infringement upon the right to exclusively use a registered trademark; or (vii) other conduct that would hinder another party's exclusive right to use its registered trademark.

Patent

In accordance with the Patent Law of PRC, or the Patent Law, promulgated on March 12, 1984 and amended on December 27, 2008 by the SCNPC and became effective on October 1, 2009, and the Rules for the Implementation of the Patent Law of PRC promulgated on January 19, 1985 and last amended on January 9, 2010 by the State Council, patent is divided in to 3 categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right is 20 years, and the duration of design patent right and utility model patent right is 10 years, which all calculated from the date of filing. An individual or entity who uses patent without the license of the patent holder, counterfeits patent products or engages in patent infringement activities shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities. The Patent Law was further amended on October 17, 2020 and took effect from June 1, 2021. On June 15, 2001, the State Council promulgated the Implementation Rules for the Patent Law of the PRC, which was last amended on December 11, 2023 and became effective from January 20, 2024.

Domain name

In accordance with the Measures on Administration for Internet Domain issued on August 24, 2017 by the Ministry of Industry & Information Technology and became effective on November 1, 2017, the Rules for the Registration of National Top-level Domain Names issued by China Internet Network Information Center, or the CNNIC, on June 18, 2019 and became effective on the same date, the Measures for Dispute Resolutions over National Top-level Domain Names issued by CNNIC on June 18, 2019 and became effective on the same date, and the Procedures for Dispute Resolutions over National Top-level Domain Names issued on June 18, 2019 and became effective on the same date, the applicants become domain name holders upon successful registration. Domain name registrations are handled through domain name service agencies established under the relevant regulations.

Regulations Related to Internet Infringement

According to the Civil Code of the PRC came into effect on 1 January 2021, 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. If the internet service provider fails to take necessary measures after receiving the notice, the internet service provider shall be jointly liable for any additional harm with such internet user. If an internet service provider is aware that an internet user is infringing upon the civil right or interest of another person, and fails to take necessary measures, the internet service provider shall be jointly liable for such infringement with such internet user.

Regulations Related to Dividend Distribution

The principal regulations governing the distribution of dividends by foreign-invested enterprises include the Company Law, the Foreign Investment Law, the Detailed Rules for the Implementation of the Foreign Investment Law, and the Enterprise Income Tax Law of the PRC, or the EIT Law, and its implementation rules.

Foreign investors of foreign-invested enterprises in the PRC may, according to these present laws and regulations, freely remit into or out of China, in RMB or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of China. In addition, a foreign-invested enterprise in the PRC is required to set aside at least 10% of its after-tax profit, as calculated using the PRC accounting standards, each year to its statutory surplus fund until its cumulative total statutory surplus fund or general reserve fund reaches 50% of its registered capital.

Regulations Related to Foreign Exchange

According to the Regulation of the PRC on Foreign Exchange Administration issued by the State Council on January 29, 1996 and last revised on August 5, 2008, the foreign exchange income and expenditure and foreign exchange business operations of Chinese institutions and individuals, as well as the foreign exchange income and expenditure and foreign exchange business operations conducted within the territory of the PRC by overseas institutions and individuals, shall be subject to foreign exchange administration. Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments, but is not freely convertible for capital expenditure items such as direct investment, loans or investments in securities outside of the PRC unless the approval from the State Administration of Foreign Exchange, or the SAFE, or its local counterpart is obtained in advance.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, or the Circular 13, promulgated on February 13, 2015 and became effective on June 1, 2015, the foreign exchange administration policies for direct investment are further simplified. This includes: (a) cancelling the two administrative approvals, namely the foreign exchange registration approvals under domestic and overseas direct investments, which shall be verified directly by banks instead; (b) simplifying the management of registration and confirmation of capital contribution by foreign investors under domestic direct investment; and (c) cancelling the annual foreign exchange inspection of direct investments.

According to the Notice of the SAFE on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies, or the Circular 37, promulgated by the SAFE on July 4, 2014, a domestic resident (domestic institution or domestic resident individual), which/who, for the purposes of offshore investment and financing, directly establishes or indirectly controls a special purpose company, and directly or indirectly undertakes domestic direct investment activities through such special purpose company using legitimately held domestic company assets or equities, or using legitimately held overseas company assets or equities, namely the activity of establishing a domestic foreign investment enterprise or project by merger and acquisition or incorporating a new entity while acquiring ownership title, rights of control, rights of business operation and management and so on, must apply to the SAFE for registration of foreign exchange for overseas investments.

According to the Circular 37: (i) “special-purpose vehicle” is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets or equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing; (ii) domestic resident must register with SAFE before contributing assets or equity interests to special purpose vehicle; (iii) following the initial registration, any major changes such as change in the overseas special purpose vehicle’s domestic resident shareholders, name of the overseas special purpose vehicle and term of operation or any increase or reduction of the overseas special purpose vehicle’s registered capital, share transfer or swap, merger or division, or similar development, shall report to the SAFE for registration in time.

Pursuant to Notice of the SAFE on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-invested Enterprises promulgated on March 30, 2015 and became effective on June 1, 2015, and partly amended on December 30, 2019, the willingness settlement of foreign exchange capital of foreign-invested enterprises shall be conducted, meaning the settlement of foreign exchange capital in the capital accounts of foreign-invested enterprises that have been subject to the confirmation of cash capital contribution at foreign exchange authorities (or the entry registration of cash contribution at banks) may be handled at banks based on the enterprises’ actual requirements for business operation. RMB funds obtained from the willingness settlement of foreign exchange capital of foreign-invested enterprises should be deposited into and managed under the account for settled foreign exchange to be paid. On June 9, 2016, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account, or Circular 16, which became effective on the same date. The Circular 16 further unifies and regulates the control over discretionary settlement and payment of foreign exchange receipts under the capital account.

Regulations Related to Tax

Enterprise Income Tax Law

According to the PRC Enterprise Income Tax Law, or the EIT Law, which was issued by the NPC on March 16, 2007 and last revised by the SCNPC on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law, or the EIT Regulation, issued by the State Council on December 6, 2007 and became effective on January 1, 2008 and last amended on December 6, 2024 and became effective on January 20, 2025, both domestic and foreign-invested enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located in the PRC are considered resident enterprises, and will generally be subject to the EIT Law at the rate of 25% of their global income. The defined “de facto management bodies” are establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties” of the enterprise. If an enterprise is considered a PRC resident enterprise under the above definition, its global income will be subject to enterprise income tax at the rate of 25%. The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management issued by the State Administration of Taxation, or the SAT, on April 22, 2009 and effective on January 1, 2008 and partly amended on December 29, 2017 and became effective on the same date, sets up a more specific definition of “de facto management bodies” standard.

Pursuant to the Administrative Measures for the Recognition of High and New Technology Enterprises promulgated by the Ministry of Science and Technology, the MOF and the SAT on April 14, 2008 and last revised on January 29, 2016 and came into effect on January 1, 2016, the certificate of a high and new technology enterprise is valid for three years. The Administrative Measures for Determination of High and New Tech Enterprises and the EIT Law regulate the sort of enterprises that are eligible for the tax reduction. An enterprise shall satisfy the following requirements in order to be determined as a high and new technology enterprise: (i) the enterprise shall be registered for more than one year when applying for identification; (ii) the enterprise has already owned the intellectual property which plays a critical role in their main products (services) through independent research, assignee, accepting donation, mergers and acquisitions; (iii) its main products (services) which play a key role have fallen within the range prescribed in the High and New Technology Areas Entitled to the Key Support of the State; (iv) it has the total number of scientific and technological personnel in its employment that accounts for at least 10 percent of the total number of its employees during the current year; (v) the percentage of total research and development expenses of the enterprise for the last three fiscal years in total sales income for the same period meets the relevant requirements; (vi) the revenue from high and new technology products (services) accounts for at least 60 percent of the total revenue of the enterprise during the current year; (vii) no major product safety, quality accidents or serious environmental violations have occurred within one year of the application; and (viii) the innovation capability evaluation of the enterprise shall meet the corresponding requirements.

Value Added Tax

According to the Interim Regulation of the PRC on Value Added Tax, or the VAT, issued by the State Council on December 13, 1993 and last revised on November 19, 2017, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax issued by the Ministry of Finance, or the MOF, on December 25, 1993 and last revised on October 28, 2011, entities and individuals selling goods in the PRC or providing processing services, repair services and importation services should be subject to VAT, and the payable tax amount shall be calculated by deducting input tax for the current period from output tax for the current period.

According to the Notice of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner issued jointly by the MOF and SAT on March 23, 2016 and partly amended by the MOF, SAT and the General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the countrywide pilot practice of levying VAT in lieu of business tax, or the Pilot Practice, has been carried out since May 1, 2016. According to the specific regulatory documents for the Pilot Practice, including the Implementation Measures for the Pilot Practice of Levying VAT in lieu of Business Tax, the VAT rates vary from 17%, 11%, 6%, 3% to 0% for taxpayers incurring taxable activities. According to the Notice of the MOF and SAT on Adjusting the Value-added Tax Rate effective on May 1, 2018, the VAT tax rates on sales, imported goods that were previously subject to 17% and 11% are now adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform promulgated on March 21, 2019 and came into effect on April 1, 2019, the VAT tax rates on sales, imported goods that were previously subject to 16% and 10% are now adjusted to 13% and 9%, respectively.

Withholding Income Tax

According to the EIT Law and the EIT Regulation, dividends generated after January 1, 2008 and payable by foreign-invested enterprises in the PRC to foreign enterprise investors shall be subject to a 10% withholding tax unless a tax treaty with different withholding tax arrangements has been made between the PRC and the jurisdiction of the relevant foreign enterprises. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income issued by SAT on August 21, 2006 and came into effect on December 8, 2006, if the shareholders of a PRC company are Hong Kong residents qualified as the beneficial owner, the applicable withholding tax rate is reduced to 5% if the foreign investor holds at least 25% of the registered capital of the PRC company, or a withholding tax rate of 10% applies to any dividends declared by the PRC company if the foreign investor holds less than 25% of the registered capital of the PRC company. According to Announcement of SAT on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection." Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection and accept follow-up administration by the tax authorities.

Pursuant to the Announcement on Matters Concerning “Beneficial Owners” in Tax Treaties, issued by the SAT on February 3, 2018 and came into effect on April 1, 2018, when determining an applicant’s “beneficial owner” status regarding tax treatments in connection with dividends, interests or royalties in tax treaties, several factors set forth below will be taken into account, although the actual analysis will be fact-specific: (i) whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in a third country or region; (ii) whether the business operated by the applicant constitutes a substantial business operation; and (iii) 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. The applicant must gather and retain relevant documents proving his or her “beneficial owner” status for the inspection of the tax authorities.

Cultural development fee

According to the Notice on Issues Relating to Cultural Undertaking Development Fee Policies Relating to the Pilot Scheme of Levying VAT in Place of Business Tax and Administration of Levying effective as from May 1, 2016, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the billed sales amount obtained from the provision of advertising services offset by the after-tax payment made to other advertising service providers or publishers.

Regulations Related to Labor

The Labor Law of the PRC, which was promulgated by the SCNPC on July 5, 1994, and last amended on December 29, 2018 and became effective on the same date, provides that employees are entitled to equal opportunities in employment, selection of occupations, receiving labor remuneration, rest days and holidays, protection of occupational safety and healthcare, social insurance and welfare. Employers must establish and improve the system for occupational safety and healthcare, provide training on occupational safety and healthcare to employees, comply with national and local regulations on occupational safety and healthcare, and provide necessary labor protective supplies to employees.

The Labor Contract Law of the PRC issued by the SCNPC on June 29, 2007 and last revised on December 28, 2012 and came into effect on July 1, 2013, requires every employer to enter into a written contract of employment with each of its employees. The employer shall not force the employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee shall be no less than the local standard on minimum wages.

Regulations Related to Social Insurance and Housing Provident Funds

In accordance with the Social Insurance Law of the PRC issued by the SCNPC on October 28, 2010, effective on July 1, 2011 and last amended on December 29, 2018 and became effective on the same date, an employee shall participate in five types of social insurance funds, including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance. The premiums for maternity insurance and occupational injury insurance are paid by the employer, while the premiums for pension insurance, medical insurance and unemployment insurance are paid by both the employer and the employee. If the employer fails to fully contribute to social insurance funds on time, the collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

In accordance with the Regulation on the Administration of Housing Provident Funds issued by the State Council on April 3, 1999 and last revised on March 24, 2019 and came into effect on the same date, enterprises must register with the competent managing center for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be fined and ordered to make payment within a certain period.

Regulations Related to Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company, or Circular 7, which was issued by the SAFE on February 15, 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year, subject to a few exceptions, are required to register with SAFE or its local branches through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures with respect to the stock incentive plan.

In addition, the State Administration for Taxation has issued circulars in relation to employee stock incentive awards, under which our employees based in the PRC shall be subject to PRC individual income tax for exercising their incentive awards. Our PRC subsidiaries shall be responsible to file documents related to employee stock incentive plan with relevant tax authorities and to withhold individual income taxes of those employees who opt to exercise their stock incentive awards.

Regulations Related to M&A and Overseas Listings

In Accordance with the Rules on the Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, promulgated by the MOFCOM on August 8, 2006 and amended on June 22, 2009 and became effective on the same date, a foreign investor was required to obtain necessary approvals when (i) a foreign investor establishes a foreign-invested enterprise either by acquiring equity in a domestic non-foreign invested enterprise, or subscribing for new equity in a domestic enterprise via an increase of registered capital; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Approval from MOFCOM is required if a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him.

In February 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 (the “Circular 6”), which established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. 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 “de facto control” of domestic enterprises with “national security” concerns. In August 2011, the MOFCOM promulgated the Rules on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, effective from September 1, 2011, which provide that the MOFCOM will look into the substance and actual impact of a transaction and prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, or the Trial Measures, effective on March 31, 2023, which regulates both direct and indirect offering and listing of PRC domestic enterprises’ securities by adopting a filing-based regulatory regime. Indirect listing of a PRC domestic enterprise refers to overseas offering and listing by a PRC domestic enterprise in the name of an overseas incorporated entity, whereas such enterprise’s major business operations are located domestically and such offering and listing is based on equity, assets, gains or other similar interests of such PRC domestic enterprise, and if an issuer meets all of the following criteria, any offering and listing conducted by such issuer will be deemed as an indirect offering and listing by PRC domestic enterprises: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by PRC domestic enterprises; (ii) the main parts of the issuer’s business activities are conducted in PRC, or its main places of business are located in PRC, or the senior managers in charge of its business operation and management are mostly PRC citizens or domiciled in PRC. And a PRC domestic enterprises that offer securities and list in overseas markets, either in direct or indirect means, shall fulfill the filing procedure with the CSRC and report relevant information. Initial public offerings or listings in overseas markets shall be filed within 3 business days after the relevant application is submitted, while subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed within 3 business days after the offering is completed. The Trial Measures also requires, either after the filing by the issuer and before the completion of offering and listing, or after the overseas offering and listing, subsequent report to the CSRC on material events, such as material change in principal business or change of control. No overseas offering and listing shall be made under any of the following circumstances: (1) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (2) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities; (3) where the PRC domestic enterprise intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (4) where the PRC domestic enterprise intending to make the securities offering and listing is suspected of committing crimes or major violation of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; and (5) where there are material ownership disputes over equity held by the PRC domestic enterprise’s controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

4.C. Organizational Structure

Sound Group Inc. is a holding company that does not have substantive operations. We conduct our business operations through our subsidiaries and VIEs. Our principal subsidiaries and VIEs consist of the following entities:

- **VOCAL BEATS Inc.**, our subsidiary, which is 68.5% owned by the Company and established in the British Virgin Islands, holds certain of our subsidiaries that operate our international businesses;
- **Lizhi Inc. and TIYA INC.**, our wholly-owned subsidiaries established in the British Virgin Islands, hold certain of our subsidiaries and VIEs;
- **NASHOR PTE. LTD., TIYA PTE. LTD., VOPI PTE. LTD., VOCALBEATS.AI PTE. LTD. and TOPMUSE PTE. LTD.**, our subsidiaries in Singapore, operate our international businesses;
- **Vocalbeats CO., LTD.**, our subsidiary in Japan, operates our international businesses;
- **Hongyi Technology, Guangzhou QingYin, Guangzhou Yuechuang and Guangzhou Tiya**, our wholly-owned subsidiaries established in Beijing and Guangzhou, provide technical support and consulting services for our subsidiaries and VIEs;
- **Guangzhou Yuyin**, our subsidiary established in Guangzhou, provides technical support and consulting services for our subsidiaries and VIEs; and
- **Guangzhou Lizhi⁽¹⁾ and Guangzhou Huanliao⁽²⁾**, our VIEs established in Guangzhou, operate our business in mainland China.

Notes:

- (1) The shareholders of Guangzhou Lizhi and their relationship with our company are as follows: (i) Guangzhou Shengchuang Network Technology Co., Ltd (广州声创网络技术有限公司) (84.81%), 50% of whose interest is owned by Ms. Juan Ren, our Vice President and director, and the other 50% of whose interest is owned by Mr. Zelong Li, our Chief Operating Officer; (ii) Mr. Ning Ding (7.50%), our co-founder, Chief Technology Officer, and the beneficial owner of the shares held by Voice Intelligence Ltd, one of our shareholders; and (iii) Zhuhai Dayin Ruoxi Enterprise Management Center (Limited Partnership) (formerly known as Zhuhai Dayin Ruoxi Investment Development Center (Limited Partnership) (珠海市大音若希企业管理中心(有限合伙)) (7.69%), 99.99% of whose interest is owned by Mr. Ning Ding. Guangzhou Lizhi operates our LIZHI App.
- (2) The shareholders of Guangzhou Huanliao are (i) Mr. Ning Ding (99.99%), our co-founder and Chief Technology Officer; and (ii) Ms. Juan Ren (0.01%), our Vice President and director. Guangzhou Huanliao currently focuses on the operation of Huanliao, an audio-based social app recently launched by us.

Contractual Arrangements with the VIEs and the VIEs' Respective Shareholders

Currently, our businesses in China are operated primarily through the VIEs and the VIEs' subsidiaries, due to PRC legal restrictions on foreign ownership in value-added telecommunication services and other internet related business. The Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2019 Version) and the Special Administrative Measures for Entrance of Foreign Investment (Negative List) (2020 Version) provides that foreign investors are generally not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider other than an e-commerce service provider, and the Provisions on the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) require that the major foreign investor in a value-added telecommunication service provider in China must have experience in providing value-added telecommunications services overseas and maintain a good track record. In addition, foreign investors are prohibited from investing in companies engaged in certain online and culture related businesses. See "Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations Related to Foreign Investment." We are an exempted company incorporated in the Cayman Islands with limited liability. Hongyi Technology, Guangzhou Tiya and Guangzhou QingYin, our PRC subsidiaries, are considered as foreign-invested enterprises. To comply with the foregoing PRC laws and regulations, we primarily conduct our business in China through the VIEs in the PRC, based on a series of contractual arrangements. To streamline our operations in China, we terminated the entire series of VIE arrangements between and among Guangzhou Tiya, Guangzhou Huanliao and the shareholder(s) of Guangzhou Huanliao in July 2022. Concurrently with such termination, Guangzhou QingYin entered into a new series of contractual arrangements by and among Guangzhou QingYin, Guangzhou Huanliao and the shareholder(s) of Guangzhou Huanliao in July 2022, which were last amended and restated in May 2023. As a result of these contractual arrangements, we are considered the primary beneficiary of the VIEs for accounting purposes and consolidate their operating results in our consolidated financial statements under U.S. GAAP. In 2023, 2024 and 2025, the amount of revenues generated by the VIEs accounted for 99.9%, 99.8% and 98.7%, respectively, of our total net revenues. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries which, in turn, depends on the payment of service fees to our PRC subsidiaries by the VIEs in the PRC pursuant to certain contractual arrangements among our PRC subsidiaries, the VIEs and the VIEs' shareholders. In 2023, 2024 and 2025, the amount of technical development service fees paid to our PRC subsidiaries from the VIEs was RMB137.0 million, RMB176.0 million and RMB120.3 million (US\$17.2 million), respectively. We expect that the amounts of such service fees will increase in the foreseeable future as our PRC business continues to grow.

These contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs. If the VIEs or their respective shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that allow us to consolidate the operating results of the VIEs in our consolidated financial statements under U.S. GAAP and may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure will be effective under PRC law. For details, please refer to "Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Corporate Structure."

In the opinion of Fangda Partners, our PRC counsel:

- the ownership structures of the VIEs do not and will not contravene any PRC laws or regulations currently in effect; and
- the contractual arrangements among Hongyi Technology, Guangzhou Lizhi and their respective shareholders, as well as among Guangzhou QingYin, Guangzhou Huanliao and their respective shareholders governed by PRC laws are valid and binding upon each party to such arrangements and enforceable against each party thereto in accordance with their terms and applicable PRC laws and regulations currently in effect.

There are uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. In particular, in March 2019, the National People’s Congress of the PRC adopted the PRC Foreign Investment Law, which became effective on January 1, 2020. Among other things, the PRC Foreign Investment Law defines the “foreign investment” as investment activities in China by foreign investors in a direct or indirect manner, including those circumstances explicitly listed thereunder as establishing new projects or foreign invested enterprises or acquiring shares of enterprises in China, and other approaches of investment as stipulated by laws, administrative regulations or otherwise regulated by the State Council. The PRC Foreign Investment Law leaves uncertainty as to whether foreign investors’ controlling PRC onshore variable interest entities via contractual arrangements will be recognized as “foreign investment” and thus be subject to the restrictions/prohibitions on foreign investments. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for operating our online audio applications and other internet related businesses do not comply with PRC government restrictions on foreign investment in certain industries, such as value-added telecommunications services business, we could be subject to severe penalties, including being prohibited from continuing operations. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Corporate Structure.”

The following is a summary of the contractual arrangements by and among Hongyi Technology, Guangzhou Lizhi and the shareholders of Guangzhou Lizhi, and by and among Guangzhou QingYin, Guangzhou Huanliao and the shareholders of Guangzhou Huanliao.

Guangzhou Lizhi

Equity Pledge Agreement

Pursuant to the equity pledge agreement and its supplementary agreement respectively entered into on January 17, 2023 and May 8, 2023 by and between Hongyi Technology and then shareholders of Guangzhou Lizhi, such shareholders of Guangzhou Lizhi pledged all of their equity interests in Guangzhou Lizhi to Hongyi Technology, to guarantee the performance of Guangzhou Lizhi and, to the extent applicable, such shareholders of Guangzhou Lizhi, of their obligations under the contractual arrangements of the VIE. If Guangzhou Lizhi or such shareholders of Guangzhou Lizhi fail to perform their obligations under the contractual arrangement of the VIE, Hongyi Technology will be entitled to, among other things, right to sell the pledged shares of Guangzhou Lizhi via an auction. This equity pledge agreement will remain in effect so long as any of the exclusive technical consulting and management service agreement, the operation agreement or the exclusive equity transfer option agreement, as mentioned below, remains in effect or any guaranteed obligation of Guangzhou Lizhi, or, to the extent applicable, its shareholders, remains outstanding under the VIE contractual arrangements. The pledge under the equity pledge agreement has been registered with the relevant PRC legal authority pursuant to PRC laws and regulations. The existing equity pledge agreement was initially entered into in March 2011 and was subsequently amended and restated on substantially similar terms in December 2014, June 2017, August 2017, June 2019, January 2023 and May 2023 respectively.

Exclusive Equity Transfer Option Agreement

Pursuant to an exclusive equity transfer option agreement entered into on January 17, 2023 by and between Hongyi Technology and then shareholders of Guangzhou Lizhi, such shareholders of Guangzhou Lizhi exclusively granted Hongyi Technology or any party appointed by Hongyi Technology an irrevocable option to purchase all or part of the shares in Guangzhou Lizhi held by then shareholders of Guangzhou Lizhi at a price no lower than the lowest price permitted by PRC law. Whether to exercise this option and the timing, methods and frequency of exercising such option are at the full discretion of Hongyi Technology. The exclusive equity transfer option agreement shall remain valid until all shares in Guangzhou Lizhi held by the shareholders of Guangzhou Lizhi, or all irrevocable options to purchase such shares, have been transferred to Hongyi Technology or its designated person. Hongyi Technology is entitled to terminate this exclusive equity transfer option agreement if a default occurs due to reasons not related to Hongyi Technology under this agreement. The existing exclusive equity transfer option agreement was initially entered into in March 2011 and was subsequently amended and restated on substantially similar terms in December 2014, June 2017, August 2017, June 2019 and January 2023, respectively.

Exclusive Technical Consulting and Service Agreement

Pursuant to an exclusive technical consulting and service agreement entered into on June 9, 2017 by and between Hongyi Technology and Guangzhou Lizhi, Guangzhou Lizhi agreed to appoint Hongyi Technology as its exclusive provider of technology services, including software development, internet maintenance, network security and other services in exchange for a service fee which are subject to the adjustment by the Company's relevant subsidiaries at its sole discretion, for a term of ten years starting from the date thereof. Hongyi Technology is entitled to terminate or extend the exclusive technical consulting and service agreement at its discretion. The existing exclusive technical consulting and service agreement was initially entered into in March 2011 and was subsequently superseded by an amended and restated exclusive technical consulting and service agreement on substantially similar terms in June 2017 and May 2023, respectively.

Operation Agreement

Pursuant to an operation agreement entered into on January 17, 2023 by and among Hongyi Technology, Guangzhou Lizhi and then shareholders of Guangzhou Lizhi, such shareholders of Guangzhou Lizhi agreed that, without written consent of Hongyi Technology or a party designated by it, Guangzhou Lizhi shall refrain from conducting any action that may materially or adversely affect its assets, business, personnel, obligations, rights or operation, for a term of ten years starting from the date thereof. Such actions include, among other things, incurrence of debt to a third party, change of directors or senior management, acquisition or disposal of assets or shares, amendment to its articles of association or business scope and other matters. Hongyi Technology is also entitled to appoint directors and senior management of Guangzhou Lizhi and instruct Guangzhou Lizhi on matters pertinent to its daily operation, financial management. Guangzhou Lizhi is obligated to fully effectuate the appointment or instructions made by Hongyi Technology in methods consistent with applicable laws and articles of Guangzhou Lizhi. Hongyi Technology is entitled to terminate or extend the operation agreement at its discretion. The existing operation agreement was initially entered into in March 2011 and was subsequently superseded by an amended and restated operation agreement on substantially similar terms in June 2017, June 2019 and January 2023, respectively.

Power of Attorney

Pursuant to a series of power of attorney issued by shareholders of Guangzhou Lizhi on January 17, 2023, such shareholders of Guangzhou Lizhi irrevocably appointed Hongyi Technology as their attorney-in-fact to act on their behalf on all shareholder matters of Guangzhou Lizhi and exercise all rights as shareholders of Guangzhou Lizhi. This power of attorney shall remain valid until the abovementioned operation agreement is terminated or Guangzhou Lizhi is dissolved, whichever is earlier. The existing series of power of attorney was initially entered into in March 2011 and was subsequently superseded by a new series of powers of attorney on substantially similar terms in June 2017, June 2019 and January 2023, respectively.

Guangzhou Huanliao

To streamline our operations in China, we terminated the entire series of VIE contractual arrangements between and among Guangzhou Tiya, Guangzhou Huanliao and the shareholder(s) of Guangzhou Huanliao in July 2022. Concurrently with such termination, Guangzhou QingYin entered into a new series of contractual arrangements by and among Guangzhou QingYin, Guangzhou Huanliao and then shareholder(s) of Guangzhou Huanliao in July 2022, which were last amended and restated in May 2023 as below.

Equity Pledge Agreement

Pursuant to the equity pledge agreement and its supplementary agreement respectively entered into on January 6, 2023 and May 8, 2023 by and between Guangzhou QingYin and then shareholders of Guangzhou Huanliao, such shareholders of Guangzhou Huanliao pledged all of their equity interests in Guangzhou Huanliao to Guangzhou QingYin to guarantee the performance of Guangzhou Huanliao and, to the extent applicable, such shareholders of Guangzhou Huanliao, of their obligations under the contractual arrangement of the VIE. If Guangzhou Huanliao or its shareholders fails to perform their obligations under the contractual arrangement of the VIE, Guangzhou QingYin will be entitled to, among other things, a right to sell the pledged shares of Guangzhou Huanliao via an auction. This equity pledge agreement will remain in effect so long as any of the exclusive technical consulting and management service agreement, the operation agreement and the exclusive equity transfer option agreement, as mentioned below, remains in effect and any guaranteed obligation of Guangzhou Huanliao, or, to the extent applicable, its shareholders, remains outstanding under the VIE contractual arrangements. The pledge under the equity pledge agreement has been registered with the relevant PRC legal authority pursuant to PRC laws and regulations. The existing equity pledge agreement was initially entered into in July 2022 and was subsequently amended and restated on substantially similar terms in January 2023 and May 2023, respectively.

Exclusive Equity Transfer Option Agreement

Pursuant to an exclusive equity transfer option agreement entered into on January 6, 2023 by and between Guangzhou Huanliao, Guangzhou QingYin and then shareholders of Guangzhou Huanliao, such shareholders of Guangzhou Huanliao exclusively granted Guangzhou QingYin or any party appointed by Guangzhou QingYin an irrevocable option to purchase all or part of the shares in Guangzhou Huanliao held by then shareholders of Guangzhou Huanliao at a price no lower than the lowest price permitted by PRC law. Whether to exercise this option and the timing, methods and frequency of exercising such option are at the full discretion of Guangzhou QingYin. The exclusive equity transfer option agreement shall remain valid until all shares in Guangzhou Huanliao held by then shareholders of Guangzhou Huanliao, or all irrevocable options to purchase such shares, have been transferred to Guangzhou QingYin or its designated person. Guangzhou QingYin is entitled to terminate this exclusive equity transfer option agreement if a default occurs due to reasons not related to Guangzhou QingYin under this agreement. The existing exclusive equity transfer option agreement was initially entered into in July 2022 and was subsequently amended and restated on substantially similar terms in January 2023.

Exclusive Technical Consulting and Service Agreement

Pursuant to an exclusive technical consulting and service agreement entered into on July 19, 2022 by and between Guangzhou QingYin and Guangzhou Huanliao, Guangzhou Huanliao agreed to appoint Guangzhou QingYin as its exclusive provider of technology services, including software development, internet maintenance, network security and other services in exchange for a service fee which are subject to the adjustment by the Company's relevant subsidiaries at its sole discretion, for a term of ten years starting from the date thereof. Guangzhou QingYin is entitled to terminate or extend the exclusive technical consulting and service agreement at its discretion. The existing series of power of attorney was initially entered into in July 2022 and was subsequently superseded by a new series of powers of attorney on substantially similar terms in May 2023.

Operation Agreement

Pursuant to an operation agreement entered into on January 6, 2023 by and among Guangzhou QingYin, Guangzhou Huanliao and then shareholders of Guangzhou Huanliao, such shareholders of Guangzhou Huanliao agreed that, without written consent of Guangzhou QingYin or a party designated by it, Guangzhou Huanliao shall refrain from conducting any action that may materially or adversely affect its assets, business, personnel, obligations, rights or operation, for a term of ten years starting from the date thereof. Such actions include, among other things, incurrence of debt to a third party, change of directors or senior management, acquisition or disposal of assets or shares, amendment to its articles of association or business scope and other matters. Guangzhou QingYin is also entitled to appoint directors and senior management of Guangzhou Huanliao and instruct Guangzhou Huanliao on matters relating to its daily operation, financial management. Guangzhou Huanliao is obligated to fully effectuate the appointment or instructions made by Guangzhou QingYin in methods consistent with applicable laws and articles of Guangzhou Huanliao. Guangzhou QingYin is entitled to terminate or extend the operation agreement at its discretion. The existing operation agreement was initially entered into in July 2022 and was subsequently amended and restated on substantially similar terms in January 2023.

Pursuant to a series of power of attorney issued by shareholders of Guangzhou Huanliao on January 6, 2023, such shareholders of Guangzhou Huanliao irrevocably appointed Guangzhou QingYin as their attorney-in-fact to act on their behalf on all shareholder matters of Guangzhou Huanliao and exercise all rights as shareholders of Guangzhou Huanliao. This power of attorney shall remain valid until the abovementioned operation agreement is terminated or Guangzhou QingYin is dissolved. The existing series of power of attorney was initially entered into in July 2022 and was subsequently superseded by a new series of powers of attorney on substantially similar terms in January 2023.

4.D. Property, Plant and Equipment

Our principal executive offices are located in Singapore. As of December 31, 2025, we have leased office space with an aggregate area of approximately 8,476 square meters, of which approximately 5,882 square meters are in Guangzhou, 418 square meters are in other cities in the PRC and 1,824 square meters are overseas.

Our main IT infrastructure includes Internet data centers (IDC) and content delivery networks (CDN). We lease IDC facilities from major domestic IDC providers. We believe that our existing facilities are generally adequate in meeting our current needs, but we expect to seek additional space as needed to accommodate future growth.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion together with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion may contain forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under “Item 3. Key Information—3.D. Risk Factors” and elsewhere in this annual report.

For the impact of foreign currency fluctuations on the company, and the extent to which foreign currency net investments are hedged by currency borrowing and other hedging instruments, please refer to “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign exchange risk.”

5.A. Operating Results

General Factors Affecting Our Results of Operations

Our business and operating results are affected by general factors influencing the online audio, entertainment, and AI application industries, including:

- overall economic conditions in the markets where we operate;
- the usage and penetration rate of mobile internet and mobile payment;
- changes in user preferences and evolving market trends in online audio, entertainment, and AI-driven services;
- the growth and competitive landscape of online audio and AI application markets; and
- governmental policies and initiatives affecting the internet, online audio, and AI industries.

Unfavorable changes in any of these factors could adversely affect demand for our services and materially impact our results of operations.

Our ability to further improve operational efficiency and achieve economies of scale

Our ability to improve operational efficiency and achieve economies of scale is important to our long-term profitability. We continue to invest in technology, product development, and operational capabilities, while optimizing our cost structure.

We leverage our SoundSphere technology system, which integrates our core AI capabilities, data infrastructure, and operational systems, to enhance efficiency across key functions, including marketing, product development, and platform operations. Supported by this system, we utilize AI-driven platforms to improve user acquisition efficiency, accelerate product iteration and deployment, and optimize resource allocation.

Our integrated technology infrastructure enables us to streamline processes, reduce reliance on manual operations, and improve scalability across our business lines. As our business grows, we expect to benefit from economies of scale driven by our expanding paying user base, increasing content and service supply, and enhanced operational efficiency supported by our technology infrastructure.

Key Components of Results of Operations

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
	(in thousands, except for share and per share data)			
Net revenues	2,071,772	2,031,806	3,102,754	443,688
Cost of revenues	(1,486,397)	(1,474,948)	(2,197,595)	(314,252)
Gross profit:	585,375	556,858	905,159	129,436
Operating expenses:				
Selling and marketing expenses	(237,646)	(307,281)	(347,690)	(49,719)
General and administrative expenses	(193,907)	(106,587)	(100,254)	(14,336)
Research and development expenses	(301,490)	(232,693)	(240,213)	(34,350)
Total operating expenses	(733,043)	(646,561)	(688,157)	(98,405)
Operating (loss)/income	(147,668)	(89,703)	217,002	31,031
Other income/(loss):				
Interest expenses	(1,563)	(416)	(28)	(4)
Foreign exchange losses	(1,488)	(4,209)	(1,022)	(146)
Interest and investment income	10,820	10,042	7,269	1,039
Government grants	9,395	2,148	2,295	328
Others, net	(3,577)	4,423	(2,086)	(298)
{Loss}/income before income taxes	(134,081)	(77,715)	223,430	31,950
Income tax expense	(434)	(3,261)	(2,781)	(398)
Net (loss)/income	(134,515)	(80,976)	220,649	31,552
Net loss attributable to the non-controlling interests shareholders	7,864	11,396	5,833	834
Net (loss)/income attributable to our Company's ordinary shareholders	(126,651)	(69,580)	226,482	32,386
Net (loss)/income	(134,515)	(80,976)	220,649	31,552
Other comprehensive income:				
Foreign currency translation adjustments	3,277	11,754	3,025	433
Total other comprehensive income	3,277	11,754	3,025	433
Total comprehensive (loss)/income	(131,238)	(69,222)	223,674	31,985
Comprehensive loss attributable to the non-controlling interests shareholders	7,953	11,522	5,782	827
Comprehensive (loss)/income attributable to our Company's ordinary shareholders	(123,285)	(57,700)	229,456	32,812
Net (loss)/income attributable to our Company's ordinary shareholders per share				
Basic	(0.12)	(0.07)	0.24	0.03
Diluted	(0.12)	(0.07)	0.24	0.03
Weighted average number of ordinary shares				
Basic	1,078,969,851	1,026,725,421	940,749,734	940,749,734
Diluted	1,078,969,851	1,026,725,421	943,559,133	943,559,133
Net (loss)/income attributable to our Company's ordinary shareholders per ADSs				
Basic	(23.48)	(13.55)	48.15	6.89
Diluted	(23.48)	(13.55)	48.01	6.86
Weighted average number of ADSs				
Basic	5,394,849	5,133,627	4,703,749	4,703,749
Diluted	5,394,849	5,133,627	4,717,796	4,717,796

Net Revenues

We generate net revenues through (i) value-added services, and (ii) subscription and others. The following table sets forth sources of our net revenues in absolute amounts and as percentages of total net revenues for the periods indicated:

	For the Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Net revenues							
Value-added services ⁽¹⁾	2,063,346	99.6	2,018,598	99.3	3,056,426	437,063	98.5
Subscription and others ⁽²⁾	8,426	0.4	13,208	0.7	46,328	6,625	1.5
Total	2,071,772	100.0	2,031,806	100.0	3,102,754	443,688	100.0

(1) It refers to “audio entertainment” in the annual report for the fiscal year ended December 31, 2024.

(2) It refers to “podcast, advertising and others” in the annual report for the fiscal year ended December 31, 2024.

Cost of Revenues

Our cost of revenues consists of (i) revenue sharing fees, (ii) salary and welfare benefits, (iii) payment handling costs, (iv) bandwidth costs, (v) share-based compensation expenses and (vi) others. The table below sets forth a breakdown of our cost of revenues in absolute amounts and as percentages of total cost of revenues for the periods indicated:

	For the Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	
	(in thousands, except for percentages)						
Cost of revenues							
Revenue sharing fees	1,368,498	92.1	1,377,765	93.4	2,069,133	295,882	94.2
Salary and welfare benefits	45,273	3.0	28,600	1.9	44,129	6,310	2.0
Payment handling costs	21,076	1.4	20,836	1.4	37,859	5,414	1.7
Bandwidth costs	39,424	2.7	36,218	2.5	33,053	4,727	1.5
Share-based compensation expense	3,845	0.3	1,788	0.1	556	80	0.1
Others	8,281	0.5	9,741	0.7	12,865	1,839	0.5
Total	1,486,397	100	1,474,948	100.0	2,197,595	314,252	100.0

Revenue sharing fees. Our revenue sharing fees represent our payment to hosts or guilds based on a percentage of revenue from sales of virtual items and certain performance based incentives. We expect the revenue sharing fees to increase generally in parallel with the expansion of our business.

Salary and welfare benefits. Salary and welfare benefits represent payroll-related expenses incurred for our employees involved in the operations of our platforms and products. We expect our salary and welfare benefits to continue to increase in absolute amount in parallel with our business growth.

Payment handling costs. Payment handling costs represent fees that we pay to third-party payment processing platforms through which our users purchase our virtual currencies. We expect our payment handling costs to continue to increase in absolute amount in parallel with our business growth.

Bandwidth costs. Bandwidth costs is fees that we pay to telecommunication service providers for bandwidth and content delivery-related services. We expect our bandwidth costs to continue to increase in absolute amount in parallel with our business growth.

Share-based compensation expense. Share based compensation expenses of our staff involved in the operations of our platforms and products, arise from share-based awards, including share options and restricted share units for the purchase of the Company's ordinary shares.

Others. Other costs of revenues include other taxes and surcharges, advertising production cost, depreciation and amortization and other costs.

Operating Expenses

Our operating expenses consist of (i) selling and marketing expenses; (ii) research and development expenses; and (iii) general and administrative expenses.

The following table sets forth the components of our operating expenses in absolute amounts and as percentages

	For the Year Ended December 31,						
	2023		2024		2025		
	RMB	%	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)						
Operating expenses							
Selling and marketing expenses	237,646	32.4	307,281	47.5	347,690	49,719	50.5
Research and development expenses	301,490	41.1	232,693	36.0	240,213	34,350	34.9
General and administrative expenses	193,907	26.5	106,587	16.5	100,254	14,336	14.6
Total	<u>733,043</u>	<u>100.0</u>	<u>646,561</u>	<u>100.0</u>	<u>688,157</u>	<u>98,405</u>	<u>100.0</u>

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) advertising and promotional expenses, including traffic promotion and brand marketing, (ii) salaries and welfare benefits to our sales and marketing personnel, and (iii) share-based compensation to our sales and marketing personnel. We are monitoring our discretionary advertising and promotion expenses, and will adjust them accordingly depending on the market conditions.

Research and Development Expenses

Our research and development expenses primarily consist of (i) salaries and welfare benefits of our research and development staff, (ii) share-based compensation of our research and development staff, and (iii) technological services fees provided by third parties. We expect our research and development expenses to continue to grow in absolute amount in parallel with our business growth as we continue to upgrade our audio and AI technologies.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) salaries and welfare benefits of our general and administrative staff, (ii) professional service fees, (iii) share-based compensation of our general and administrative staff, and (iv) other expenses such as provision for credit losses, leases and depreciation and amortization. We expect our general and administrative expenses to grow in absolute amount as we grow our business.

Other Expenses/Income

Our other expenses/income consist mainly of (i) foreign exchange losses/gains; (ii) interest expenses of bank loan, investment income and interest income; (ii) government grants we received; and (iv) others primarily including bank fees and tax rebate received during the year.

Other Comprehensive Income/Loss

Our other comprehensive income/(loss) mainly consists of foreign currency translation adjustments. Foreign currency translation adjustments are reported as a cumulative translation adjustment. A cumulative translation adjustment is resulted from the translation of the financial statements of the consolidating entities within the group with functional currency other than the group's reporting currency in Renminbi. We expect that the foreign currency translation adjustments will continue to fluctuate in accordance with the fluctuation between Renminbi and U.S. dollars in future periods.

Results of Operations

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

Net revenues. Net revenues were RMB3,102.8 million (US\$443.7 million) in 2025, representing a 53% increase from RMB2,031.8 million in the prior year, primarily due to (i) growth in our value-added services, supported by a broader and more diversified audio content offering, and (ii) increased revenue from our subscription services, driven by an expanding AI applications portfolio.

Cost of revenues. Cost of revenues were RMB2,197.6 million (US\$314.3 million) in 2025, representing a 49% increase from RMB1,474.9 million in the prior year. The increase was mainly attributable to (i) an increase in revenue sharing-fees for content creators which grew in line with net revenues, (ii) increased payment handling costs, and (iii) increased salary and welfare benefits expenses, which were partially offset by decreases in (i) bandwidth costs and (ii) share-based compensation expenses.

Gross profit. As a result of the foregoing, our gross profit was RMB905.2 million (US\$129.4 million) in 2025, representing a 63% increase from RMB556.9 million in the prior year.

Operating expenses. Our total operating expenses were RMB688.2 million (US\$98.4 million) in 2025, representing a 6% increase from RMB646.6 million in the prior year.

Research and development expenses. Research and development expenses were RMB240.2 million (US\$34.4 million) in 2025, representing a 3% increase from RMB232.7 million in the prior year, primarily due to increased salary and welfare benefits expenses, which were partially offset by decreases in (i) expenses related to research and development services provided by third parties, (ii) share-based compensation expenses, and (iii) rental expenses.

Selling and marketing expenses. Selling and marketing expenses were RMB347.7 million (US\$49.7 million) in 2025, representing a 13% increase from RMB307.3 million in the prior year, primarily attributable to increases in (i) branding and marketing expenses and (ii) salary and welfare benefits expenses, which were partially offset by a decrease in share-based compensation expenses. The Company continues to carefully control discretionary advertising and promotional expenses and adjust them accordingly, depending on market conditions.

General and administrative expenses. General and administrative expenses were RMB100.3 million (US\$14.3 million) in 2025, compared with RMB106.6 million in the prior year, mainly driven by decreases in (i) share-based compensation expenses, (ii) provisions for litigation contingencies and (iii) professional service fees, which were partially offset by an increase in salary and welfare benefits expenses.

Operating income was RMB217 million (US\$31 million) in 2025, compared with an operating loss of RMB89.7 million in the prior year.

Net income was RMB220.6 million (US\$31.6 million) in 2025, compared with a net loss of RMB81.0 million in the prior year.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Net revenues. Net revenue was RMB2,031.8 million (US\$278.4million) in the fiscal year 2024, compared with RMB2,071.8 million in the prior year. The decrease was primarily due to the decrease in the number of paying users.

Cost of revenues. Cost of revenues was RMB1,474.9 million (US\$202.1 million) in fiscal year 2024, compared to RMB1,486.4 million in the prior year, mainly attributable to (i) the decreased salary and welfare benefits expenses related to the decreased operation staff, as well as (ii) the decreased bandwidth costs, share-based compensation expenses, and payment handling costs.

Gross profit. As a result of the foregoing, our gross profit was RMB556.8 million (US\$76.3 million) in fiscal year 2024, compared with RMB585.4 million in the prior year.

Operating expenses. Our total operating expenses were RMB646.6 million (US\$88.6 million) in fiscal year 2024, compared to RMB733.0 million in the prior year.

Research and development expenses. Our research and development expenses were RMB232.7 million (US\$31.9 million) in fiscal year 2024, compared to RMB301.5 million in the prior year, primarily due to (i) the decreased salary and welfare benefits expenses related to the decreased number of research and development staff, and (ii) the decreased share-based compensation expenses, partially offset by the increased expenses related to research and development services provided by third parties.

Selling and marketing expenses. Our selling and marketing expenses were RMB307.3 million (US\$42.1 million) in fiscal year 2024, represent a 29% increase from RMB237.6 million in the prior year, mainly attributable to the increased branding and marketing expenses, and partially offset by the decreased salary and welfare benefits expenses related to the decreased number of our selling and marketing staff. The Company will evaluate and adjust its marketing strategy and budget based on the Company's performance, operational needs and market conditions.

General and administrative expenses. Our general and administrative expenses were RMB106.6 million (US\$14.6 million) in fiscal year 2024, compared with RMB193.9 million in the prior year, mainly driven by the decreased provision for credit loss, share-based compensation expenses, professional service fees and other miscellaneous expenses, and partially offset by the increased salary and welfare benefits expenses related to the increased average salary, provision for litigation contingencies and rental expenses.

Operating loss was RMB89.7 million (US\$12.3 million) in the fiscal year 2024, compared to an operating loss of RMB147.7 million in the prior year.

Net loss was RMB81.0 million (US\$11.1 million) in the fiscal year 2024, compared to net loss of RMB134.5 million in the prior year.

Taxation

Cayman Islands

The Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us or holders of our ADSs or Class A ordinary shares 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.

Payments of dividends and capital in respect of the ADSs or Class A ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ADSs or Class A ordinary shares, nor will gains derived from the disposal of the ADSs or Class A ordinary shares be subject to Cayman Islands income or corporation tax.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are exempted from income tax on their foreign-derived incomes in the British Virgin Islands. There are no withholding taxes in the British Virgin Islands.

Singapore

Under the Singapore tax laws, subsidiaries in Singapore are subject to a unified 17% tax rate, except for certain entities that are entitled to preferential tax treatments, and there are no withholding taxes in Singapore on remittance of dividends. For the years ended December 31, 2023, 2024 and 2025, the Company's Singapore entity recognized income tax (credit)/expense amounted to RMB(0.1) million, nil and RMB0.3 million, respectively, for the assessable profits base on the existing legislation, interpretation and practice of Singapore.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. As an anti-avoidance measure, a group of "connected entities" can only nominate one entity within the Group to enjoy the reduced tax rate for a given year of assessment.

Others

Subsidiaries incorporated in other countries are subject to the respective applicable corporate income tax rates of the countries where they are resident. For the years ended December 31, 2023, 2024 and 2025, the Company's overseas others entity recognized income tax expense amounted to RMB0.4 million, RMB0.8 million and RMB0.8 million, respectively.

PRC

Generally, our subsidiaries and consolidated VIEs in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Guangzhou Lizhi and Guangzhou Huanliao obtained High and New Technology Enterprise, or HNTE, status from December 28, 2023 to December 28, 2026, and from November 19 2024 to November 21, 2027, respectively. In addition, Guangzhou Tiya qualified as a HNTE from December 9, 2025 to December 9, 2028. They will enjoy the 15% preferential tax rate as long as it re-applies for HNTE status every three years and meet the HNTE criteria during this three-year period. If they fail to meet the criteria for qualification as an HNTE in any year, (i) the enterprises cannot enjoy the 15% preferential tax rate in that year and must instead use the uniform 25% enterprise income tax rate and (ii) they will need to re-apply for HNTE status.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entities satisfy all the requirements 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 and receives approval from the relevant tax authority, in which case the dividends paid to the Hong Kong subsidiaries would be subject to withholding tax at the preferential rate of 5%. Effective from November 1, 2015, the above mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential 5% tax rate is denied based on the subsequent review of the application package by the relevant tax authority. For the year ended December 31, 2024 and 2025, the Group resolved to have one of its PRC subsidiaries, Guangzhou Tiya, declare and distribute cash dividends out of part of its retained earnings, amounting to RMB8.0 million and RMB18.0 million, respectively, to its immediate overseas parent company, Tiya HK. Accordingly, Guangzhou Tiya was required to pay and paid withholding taxes of RMB0.8 million and RMB1.8 million, respectively.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Item 3. Key Information—3.D. Risk Factors—Risks Related 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 ADS holders and have a material adverse effect on our results of operations and the value of your investment.”

We are subject to value-added tax, or VAT, at a rate of 6% on the services we provide, less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law.

Critical Accounting Policies and Judgments

Principles of consolidation

The consolidated financial statements include the financial statements of us, our subsidiaries, the VIEs and subsidiaries of the VIEs for which we are the primary beneficiary.

Subsidiaries are those entities in which we, directly or indirectly, control more than one half of the voting power, have the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or have the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which we, or our subsidiary, through contractual arrangements, have the power to direct the activities that most significantly impact the entity’s economic performance, bear the risks of and enjoy the rewards normally associated with ownership of the entity, and therefore we or our subsidiary is the primary beneficiary of the entity. See “Item 3.D. Key Information—Risk Factors—Risks Related to Our Corporate Structure.”

All transactions and balances among us, our subsidiaries, the VIEs and subsidiaries of the VIEs have been eliminated upon consolidation.

Revenue recognition

Our net revenues primarily derived from (i) value-added services and (ii) subscription and others. We recognize revenue pursuant to ASC 606, revenue from contracts with customers (“ASC 606”). In accordance with ASC 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. To achieve the core principle of this standard, we applied the following five steps: (i) identification of the contract, or contracts, with the customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of the revenue when, or as, a performance obligation is satisfied.

We recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services.

Value-added service revenue

We mainly offers audio entertainment services related to live streaming, real-time interaction and other paid contents to the customers.

We are principally engaged in operating our own live streaming platforms, which enable hosts and users to interact with each other. Value-added service revenue is generated from sales of virtual items to our users. We have a recharge system for users to purchase our virtual currency which can be used to purchase virtual items. Users can recharge via bank transfer and various online third-party payment platforms, including AliPay, WeChat Pay and other payment platforms. Virtual currency is non-refundable and without expiry. The virtual currency is often consumed soon after it is purchased based on history of turnover of the virtual currency. Unconsumed virtual currency is recorded as deferred revenue. Virtual currencies used to purchase virtual items are recognized as revenue according to the prescribed revenue recognition policies of virtual items addressed below unless otherwise stated.

Hosts engage in live streaming performance on platforms. We share a portion of the sales proceeds of virtual items (“revenue sharing fee”) with hosts and their respective guilds in accordance with their service agreements.

We evaluate and determine that we are the principal and view users to be our customers. We report value-added service revenues on a gross basis. Accordingly, the amounts billed to users are recorded as revenues and revenue sharing fee paid to hosts and their respective guilds are recorded as cost of revenues. Where we are the principal, we control the virtual items before they are transferred to users. Its control is evidenced by our sole ability to monetize the virtual items before they are transferred to users, and is further supported by us being primarily responsible to users and having a level of discretion in establishing pricing. We design, create and offer various virtual items for sale to users with pre-determined stand-alone selling prices. Virtual items are categorized as either consumable or time-based items. Consumable items are consumed upon purchase and use while time-based items could be used for a fixed period of time such as a virtual special symbol that can be purchased and displayed on the users’ profile over a fixed period of time; users can purchase consumable or time-based items and present these virtual items to hosts to show support for their favorite hosts or purchase time-based virtual items that enhance the users’ personal profile.

Revenue related to each consumable item is a single performance obligation provided on a consumption basis, and is recognized at the point in time when the virtual item is transferred directly to the users and consumed by them. Revenue related to time-based virtual items is recognized ratably over the fixed period on a straight-line basis. The Group does not have further performance obligations to users after the virtual items are consumed immediately or after the stated contract period for time-based items.

Subscription and others revenue

We provide users with certain subscription services which entitle paying subscribers to engage AI application tools or listen to specific podcast content on the platform. The subscription fee is time-based and is collected upfront from subscribers.

The receipt of subscription fee is initially recorded as deferred revenue. We satisfied its performance obligation by providing services throughout the estimated average user relationship period. Revenue is recognized ratably over the shorter period of the actual subscribed period or the estimated average user relationship period, which is approximately one to three months. The estimated average user relationship period is based on historical data collected from those paying users who have subscribed to the content on our platform. We estimate the average user relationship period for a subscribed content to be the date a user subscribes to it through the date we estimate the paying user will log-in the platform or listen to the content for the last time. The determination of the estimated average user relationship period is based on our best estimate that considers all known and relevant information, including actual historical patterns of usage, at the time of assessment. Any adjustments arising from changes in the estimated average user relationship period as a result of new information is accounted as a change in accounting estimate.

The podcast content are licensed by hosts to us. We record revenue on a gross basis as (i) we are the primary obligor in the arrangement; and (ii) we have latitude in establishing the selling price.

Deferred revenue

Deferred revenue primarily consists of unconsumed virtual currency, unamortized revenue from time-based virtual items and unamortized subscription fees for podcast contents and AI application tools services in our platform, where there is still an obligation to be provided by us, which will be recognized as revenue when all of the revenue recognition criteria are met. As of December 31, 2024 and 2025, the balance of deferred revenue was RMB31.0 million and 38.2 million, respectively. The change in the balance of deferred revenue depends on whether the relevant performance obligations of the revenue recognition were met as of years ended.

During the years ended December 31, 2023, 2024 and 2025, we recognized revenue amounted to RMB14.0 million, RMB12.9 million and RMB12.6 million, respectively, that was included in the corresponding opening deferred revenue balance of the year.

Advertising revenue

We generate advertisement revenues from rendering of various forms of advertisement services by way of advertisement display on the online audio platform live streaming platforms. Advertisements on our platforms are generally charged on the basis of duration whereby revenue is recognized ratably over the contract period of display. We provide sales incentives in the forms of discounts and rebates to advertisement agencies based on purchase volume. Revenue is recognized based on the price charged to the advertisers or agencies, net of sales incentives provided to the agencies. Sales incentives are recorded at the time of revenue recognition based on the contracted rebate rates and contract amount.

The accounts receivable arises primarily from our advertising customers.

	As of December 31,	
	2024	2025
	(RMB in thousands)	
Accounts receivable	1,082	972

Please see Note 4 of consolidated financial statements for additional information.

There were no material contract assets as of December 31, 2024 and 2025.

Practical Expedients

We have used the following practical expedients as allowed under generally accepted accounting principles in the U.S.:

- (i) The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied has not been disclosed, as substantially all of our contracts have an original expected duration of one year or less.
- (ii) Payment terms and conditions vary by contract type, although terms generally include a requirement of prepayment or payment within one year or less. According, we have determined that our contracts generally do not include a significant financing component.
- (iii) Costs to obtain a contract with a customer are expensed as incurred when the amortization period is estimated to be one year or less.

Share-based compensation

Amended and Restated 2019 Share Incentive Plan

In September 2018, Lizhi BVI adopted the 2018 Share Incentive Plan, or the 2018 BVI Plan. Under the 2018 BVI Plan, Lizhi BVI granted 27,765,900 options and restricted shares to its certain management members, employees and a consultant corresponding to 27,765,900 ordinary shares.

We adopted a share incentive plan on May 31, 2019, or the 2019 Share Incentive Plan. The 2019 Share Incentive Plan replaced the 2018 BVI Plan in its entirety and granted 38,194,330 options and restricted shares to certain management members, employees and consultant. We further amended and restated our 2019 Share Incentive Plan on March 18, 2020, or the Amended and Restated 2019 Share Incentive Plan, to increase the maximum aggregate number of Class A ordinary shares we are authorized to issue under the Amended and Restated 2019 Share Incentive Plan to 100,000,000 Class A ordinary shares. On September 17, 2021, we adopted the Second Amended and Restated 2019 Share Incentive Plan to replace the Amended and Restated 2019 Share Incentive Plan in its entirety, increasing the maximum aggregate number of Class A ordinary shares we are authorized to issue under the Second Amended and Restated 2019 Share Incentive Plan to 170,000,000 Class A ordinary shares. As of February 28, 2026, 20,016,720 options and restricted share units corresponding to 20,016,720 of our ordinary shares are outstanding, which has been redesignated as Class A ordinary shares on a one-on-one basis immediately prior to the completion of our initial public offering (the “2019 Replacement”). There is no change of fair value, vesting schedule and other key terms of such award agreements entered into with each grantee and the classification of share based awards immediately before and after the 2019 Replacement except as stated herein. Thus the 2019 Replacement was not considered a modification of share based awards. Among those, a total of 841,050 Class A ordinary shares corresponding to restricted shares granted to certain of our management members and director, which has been redesignated as Class A ordinary shares on a one-on-one basis immediately prior to the completion of IPO, were held by Kastle Limited, a company incorporated with limited liability under the laws of Hong Kong as of February 28, 2026. Kastle Limited holds such ordinary shares in trust for the benefit of these senior management and directors. The granted and outstanding awards under the 2018 BVI Plan have since been terminated. For key terms of the Second Amended and the Restated 2019 Share Incentive Plan, see “Item 6. Directors, Senior Management and Employees—6.B. Compensation—Share Incentive Plan.”

Share based compensation expenses arise from share based awards, including share options for the purchase of ordinary shares, restricted shares and restricted share units.

We account for share-based awards granted to employee and non-employee in accordance with ASC 718 Stock Compensation. Share-based compensation expenses are recognized in the consolidated financial statements based on their grant date fair values. The fair value of share option is affected by the fair value of ordinary shares as well as assumptions regarding a number of complex and subjective variables, including the expected volatility of the fair value of ordinary shares, actual and projected employee share option exercise behavior, risk-free interest rates and expected dividends. The fair value of restricted share, restricted share units and share options with little to no exercise price, are generally measured as the grant date price of the Company’s ordinary shares. Prior to the IPO in January 2020, the fair value of our ordinary shares was assessed using the income approach/discounted cash flow method, with a discount for lack of marketability, given that the shares underlying the awards were not publicly traded at the time of grant. With the completion of IPO, it is no longer necessary to estimate the fair value of ordinary shares as the market price of its publicly traded ADSs is used as an indicator of fair value of the ordinary shares.

In 2025, we declared and paid a special cash dividend of US\$0.005 per ordinary share, or US\$1.00 per ADS, to holders of ordinary shares and ADSs of record as of a record date approved by our board of directors. The total cash distributed in connection with this dividend was approximately US\$4.3 million. In March 2026, we declared a special cash dividend of US\$0.006 per ordinary share, or US\$1.20 per ADS, to holders of ordinary shares and ADSs of record as of a record date approved by our board of directors. The total cash distributed in connection with this dividend will amount to approximately US\$5 million, with payments expected to be made on or around May 12, 2026, for holders of ordinary shares and ADSs. We do not expect to adopt a regular dividend policy in the foreseeable future. However, as our business continues to evolve, we may, from time to time, return capital to shareholders through special cash dividends. The contractual term is the contract life of the options. We estimated the risk free interest rate based on the market yield of US Government Bonds with maturities of ten years as of the valuation date, plus a country default risk spread between China and US. For options granted in the year ended December 31, 2018, the expected and weighted average volatility was 56.38%, risk-free rate was 3.05%, maximum contractual term was 10 years, and enterprise value per ordinary share was US\$0.21. No share option was granted for the year ended December 31, 2019, and all share options granted after were with little to no exercise price for which fair value was measured as the grant date price of our ordinary shares.

Share-based compensation expenses are recorded net of actual forfeitures. For a cliff-vesting award or award with graded-vesting features and service conditions only, we use straight-line method to recognize compensation cost over the total requisite service period for the entire award. For an award with performance and/or service condition that affects vesting, the performance and/or service condition is not considered in determining the award’s fair value on the grant date. We recognize compensation expenses for awards with performance conditions if and when we conclude that it is probable that the performance condition will be achieved, net of actual pre-vesting forfeitures over the requisite service period, using graded vesting method. We reassess the probability of vesting at each reporting period for awards with performance conditions and adjusts compensation expenses based on its probability assessment, unless on certain situations, we may not be able to determine that it is probable that a performance condition will be satisfied until the event occurs.

No share option and restricted share unit was granted for the years ended December 31, 2025. The expected volatility at the grant date and each option valuation date was estimated based on the annualized standard deviation of the daily return embedded in historical share prices of comparable peer companies with a time horizon close to the expected expiry of the term of the options. The weighted average volatility is the expected volatility at the grant date weighted by number of options. The contractual term is the contract life of the options. We estimated the risk free interest rate based on the market yield of U.S. government bonds with maturities of ten years as of the valuation date, plus a country default risk spread between China and U.S.

For the purpose of determining the estimated fair value of our share options, we believe the expected volatility and the estimated fair value of our ordinary shares are the most critical assumptions. Changes in these assumptions could significantly affect the fair value of share options and hence the amount of stock-based compensation we recognize in our consolidated financial statements. Since we did not have a trading history for our shares sufficient to calculate our own historical volatility, the expected volatility of our future ordinary share price was estimated based on the price volatility of the shares of comparable public companies that operate in the same or similar business.

Subsequent to our initial public offering in January 2020, the market price of our publicly traded ADSs is used as an indicator of fair value of our ordinary shares for purposes of recording share-based compensation in connection with the equity awards granted.

Fair value of ordinary shares

Prior to our initial public offering, we were a private company with no quoted market prices for our ordinary shares. We therefore needed to make estimates of financial forecast at various dates for the purpose of determining the fair value of our ordinary shares at the date of the grant of share-based compensation awards to our employees as one of the inputs into determining the grant date fair value of the award.

The option-pricing method was used to allocate equity value of our company to preferred and ordinary shares, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid. This method requires making estimates of the anticipated timing of a potential liquidity event, such as a sale of our company or an initial public offering, and estimates of the volatility of our equity securities. The anticipated timing is based on the plans of our board and management. The other major assumptions used in calculating the fair value of ordinary shares include:

- Weighted average cost of capital, or WACC: The WACCs were determined in consideration of factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors.
- Comparable companies: In deriving the WACCs, which are used as the discount rates under the income approach, certain publicly traded companies in the audio online business industry and AI application industry were selected for reference as our guideline companies.
- Discount for lack of marketability, or DLOM: DLOM was quantified by the Finnerty put options model. Under this option-pricing method, which assumed that the put option is struck at the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors such as timing of a liquidity event, for instance an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value is and thus the higher the implied DLOM is.

The lower DLOM is used for the valuation, the higher the determined fair value of the ordinary shares becomes. DLOM remained in the range of 22% to 0% in the period from December 31, 2016 to the completion of our initial public offering in January 2020.

The determination of the equity value requires complex and subjective judgments to be made regarding prospects of the industry and the products at the valuation date, our projected financial and operating results, our unique business risks and the liquidity of our shares.

With the completion of our initial public offering in January 2020, it is no longer necessary for us to estimate the fair value of our ordinary shares in connection with our accounting for granted options, restricted shares and restricted share units and the market price of our publicly traded ADSs is used as an indicator of fair value of our ordinary shares.

Recently issued accounting pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2(dd) to our consolidated financial statements included elsewhere in this annual report.

5.B Liquidity and Capital Resources

Cash flows and working capital

Our principal sources of liquidity have been cash generated from our operations, contributions from our shareholders, and bank loans taken out by our subsidiary and the VIEs. As of December 31, 2025, we had RMB655.1 million (US\$93.7 million) in cash and cash equivalents. Our cash and cash equivalents mainly represent demand deposits which are placed in bank and large reputable financial institutions, that are readily convertible to fixed amounts of cash and with original maturities from the date of purchase with terms of three months or less.

We had a positive working capital (defined as total current assets deducted by total current liabilities) of RMB345.2 million (US\$49.4 million) as of December 31, 2025. Although we have achieved a positive working capital as of December 31, 2025, there is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due in the future due to a variety of factors, some of which are beyond our control.

We will endeavor to prudently manage our working capital to support our business and operations. In terms of financing activities, we have raised capital through private placements to investors and will use cash generated from our future operating activities and the net proceeds raised in our initial public offering to meet our ongoing working capital needs and fund our continuous growth. In terms of business initiatives, we will continue to (i) strengthen our monetization effort through providing more innovative products to users in China and overseas, (ii) develop a wider and more diversified content creator base to gain more pricing power as part of our content sourcing efforts, and (iii) prudently manage our costs and operating expenses, including revenue sharing fees and advertising and promotional expenses, while achieving sustainable growth.

We intend to finance our future working capital requirements and capital expenditures from cash generated from operating activities and funds raised from financing activities, including the net proceeds we received from our follow-on offering in April 2021, our initial public offering in January 2020, and third-party loans taken out by our subsidiary and the VIEs. We believe that our current cash and cash equivalents, together with our cash generated from operating activities, financing activities, follow-on offering in April 2021 and our initial public offering, will be sufficient to meet our present anticipated working capital requirements and capital expenditures at least for next coming 12 months.

We may, however, require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to issue debt or equity securities or obtain additional credit facilities. Financing may be unavailable in the amounts we need or on terms acceptable to us, if at all. Issuance of additional equity securities, including convertible debt securities, would dilute our earnings per share. The incurrence of debt would divert cash for working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business and prospects may suffer.

As we will continue to invest in product innovation and AI technology to support our growth, we may not be able to further improve our working capital position or to achieve a surplus. In the future, should we require additional liquidity and capital resources to fund our business and operations, we may need to obtain additional financing, including financing from new and/or existing shareholders, and financing generated through capital market and commercial banks. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—We have significant working capital requirements and had working capital deficits in the past. If we experience working capital deficits in the future, our business, liquidity, financial condition and results of operations may be materially and adversely affected.”

The following table presents the summary of our consolidated cash flows data for the years ended December 31, 2023, 2024 and 2025.

	For the Year Ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$
		(in thousands)		
Net cash (used in)/generated from operating activities	(117,045)	(26,469)	280,031	40,044
Net cash generated from/(used in) investing activities	105,653	(11,974)	(3,801)	(544)
Net cash (used in)/generated from financing activities	(71,674)	(2,994)	(66,201)	(9,466)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	2,168	(3,017)	(3,290)	(471)
Net (decrease)/increase in cash, cash equivalents, and restricted cash	(80,898)	(44,454)	206,739	29,563
Cash, cash equivalents, and restricted cash at the beginning of the year	578,515	497,617	453,163	64,802
Cash, cash equivalents, and restricted cash at the end of the year	497,617	453,163	659,902	94,365

Operating activities

Net cash generated from operating activities was RMB280.0 million (US\$40.0 million) in 2025. The difference between our net cash generated from operating activities and our net income of RMB220.7 million (US\$31.6 million) was due to (i) depreciation of property, equipment and leasehold improvement of RMB6.9 million (US\$1.0 million), (ii) share-based compensation expenses of RMB4.5 million (US\$0.6 million), (iii) an increase in salary and welfare payable of RMB44.3 million (US\$6.3 million), (iv) an increase in accounts payable of RMB19.4 million (US\$2.8 million), and partially offset by (v) a decrease in accrued expenses and other current liabilities of RMB13.3 million (US\$1.9 million) and (vi) an increase in prepayments and other current assets of RMB 16.2 million (US\$2.3 million). The increase in salary and welfare payable was primarily attributable to the increased average salary. The increase in accounts payable was mainly due to the increase in revenue sharing-fees for content creators which grew in line with net revenues. The decrease in accrued expenses and other current liabilities was primarily attributable to a decrease in advertising and promotional expenses, and miscellaneous expenses. The increase in prepayments and other current assets was mainly due to the increase in receivables from a third-party online payment platform.

Net cash used in operating activities was RMB26.5 million in 2024. The difference between our net cash used in operating activities and our net loss of RMB81.0 million was due to (i) depreciation of property, equipment and leasehold improvement of RMB10.7 million, (ii) share-based compensation expenses of RMB14.2 million, (iii) a decrease in salary and welfare payable of RMB5.1 million, a decrease in accounts payable of RMB3.8 million, and (iv) partially offset by an increase in accrued expenses and other current liabilities of RMB29.7 million. The decrease in salary and welfare payable was primarily attributable to the decreased number of staff. Accounts payable decreased mainly due to the quicker settlement with our content creators. The increase in accrued expenses and other current liabilities was primarily attributable to an increase in provision for litigation contingencies and advertising and promotional expenses.

Net cash used in operating activities was RMB117.0 million in 2023. The difference between our net cash used in operating activities and our net loss of RMB134.5 million was due to (i) depreciation of property, equipment and leasehold improvement of RMB13.2 million, (ii) share-based compensation expenses of RMB26.8 million, (iii) allowance for expected credit loss of RMB90.8 million, (iv) a decrease in deferred revenue of RMB6.4 million, an increase in prepayments and other current assets of RMB94.6 million, and a decrease in accounts payable of RMB10.6 million, and (v) partially offset by a decrease in accounts receivable of RMB1.6 million. The decrease in deferred revenue was primarily attributable to the increase in the users' virtual currency consumption speed. The increase in prepayments and other current assets was primarily attributable to an increase in receivables from bank in transit funds. Accounts payable decreased mainly due to the quicker settlement with our content creators. The decrease in accrued expenses and other current liabilities was primarily attributable to a decrease in professional and miscellaneous expenses, as well as a decline in accrued sales rebates for advertising business.

Investing activities

Net cash used in investing activities was RMB3.8 million (US\$0.5 million) in 2025 mainly attributed to the purchase of property, equipment and leasehold improvement, and intangible assets of RMB4.1 million (US\$0.6 million), which was partially offset by net cash received from disposal of property, equipment and leasehold improvement of RMB0.3 million (US\$0.0 million).

Net cash used in investing activities was RMB12.0 million in 2024 mainly attributed to (i) the purchase of short-term investments of RMB125.0 million and (ii) the purchase of property, equipment and leasehold improvement of RMB11.1 million, which was partially offset by maturities of short-term investments of RMB125.0 million.

Net cash generated from investing activities was RMB105.7 million in 2023 mainly attributed to maturities of short-term investments of RMB111.0 million and disposal of property, equipment and leasehold improvement of RMB1.9 million, respectively, which offset by purchasing of intangible assets, property, equipment and leasehold improvement of RMB7.2 million.

Financing activities

Net cash used in financing activities was RMB66.2 million (US\$9.5 million) in 2025 primarily due to (i) repayments of short-term loans of RMB7.2 million (US\$1.0 million), (ii) cash paid for repurchase of common shares of RMB28.8 million (US\$4.1 million) and (iii) cash paid for dividends of RMB30.3 million (US\$4.3 million).

Net cash used in financing activities was RMB3.0 million in 2024 primarily due to repayments of short-term loans of RMB11.2 million.

Net cash used in financing activities was RMB71.7 million in 2023 primarily due to third-party loans net repayment by our subsidiary and the VIEs.

Material Cash Requirements

Other than the ordinary cash requirements for our operations, our material cash requirements as of December 31, 2025 and any subsequent interim period primarily include our capital expenditures, repayment of short-term loans and operating lease obligations.

Capital Expenditures

We made capital expenditures of RMB7.2 million, RMB12.2 million and RMB4.1 million (US\$0.6 million) in 2023, 2024 and 2025, respectively. In these periods, our capital expenditures were mainly used for purchases of property, equipment, leasehold improvement and intangible assets. In next coming 12 months, we expect the majority of our capital expenditures will use for purchasing long-term assets above.

Contractual obligation

The following table sets forth our contractual obligations as of December 31, 2025:

	Payment Due by Years Ending				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
	(in RMB thousands)				
Lease obligations ⁽¹⁾	18,389	13,455	-	-	31,844

Note:

(1) Lease obligation represents the minimum commitments under non-cancelable operating lease agreements for our office premises and staff quarters.

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 short-term and/or long-term 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 do not have retained or contingent interests in assets transferred. We have not entered into contractual arrangements that support the credit, liquidity or market risk for transferred assets. We do not have obligations that arise or could arise from variable interests held in an unconsolidated entity, or obligations related to derivative instruments that are both indexed to and classified in our own equity, or not reflected in the statement of financial position.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of December 31, 2025.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

Holding Company Structure

Sound Group Inc. is a holding company with no material operations of its own. We conduct our operations primarily through the VIEs and their subsidiaries in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries, the VIEs and their subsidiaries. If our subsidiaries and the VIEs or any newly formed subsidiaries incur debts on their own behalf in the future, the instruments governing their debts may restrict their ability to pay dividends to us.

In addition, our subsidiaries, the VIEs and their subsidiaries in China are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or the PRC GAAP. In accordance with PRC company laws, our subsidiaries, the VIEs and their subsidiaries in China must make appropriations from their after-tax profits to non-distributable surplus or reserve funds including (i) statutory surplus fund or general reserve fund, as applicable and (ii) discretionary surplus fund or enterprise expansion fund and staff bonus and welfare fund, as applicable. The appropriation to the statutory surplus fund or general reserve fund must be at least 10% of the after-tax profits calculated in accordance with the PRC GAAP. Appropriation is not required if the statutory surplus fund or general reserve fund has reached 50% of the registered capital of our consolidated VIEs. Appropriation to discretionary surplus fund or enterprise expansion fund and staff bonus and welfare fund is made at the discretion of our PRC subsidiaries, consolidated VIEs and their subsidiaries in China.

As a holding company with no material operations of our own, we conduct our operations primarily through our PRC subsidiaries, the VIEs and their subsidiaries. We held cash and cash equivalents and restricted cash of RMB659.9 million (US\$94.4 million) as of December 31, 2025, among which RMB76.4 million (US\$10.9 million) was held by Sound Group Inc. Apart from such cash and cash equivalents held in the Cayman Islands, substantially all of our assets were held and substantially all of our net revenues were generated by our PRC subsidiaries, the VIEs and their subsidiaries.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fund raising activities to our PRC subsidiaries only through loans or capital contributions, and to the VIEs only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See “Risk Factors—Risks Related to Doing Business in China—PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds of our initial public offering to make additional capital contributions or loans to our PRC subsidiaries” and “Use of Proceeds.” The ability of our subsidiaries in China to make dividends or other cash payments to us is subject to various restrictions under PRC laws and regulations. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Doing Business in China—We may rely on dividends paid by our PRC subsidiaries to fund cash and financing requirements. Any limitation on the ability of our PRC 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 3. Key Information—3.D. Risk Factors—Risks Related 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 ADS holders and have a material adverse effect on our results of operations and the value of your investment.” As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries when needed. Notwithstanding the foregoing, our PRC subsidiaries may use their own retained earnings (rather than Renminbi converted from foreign currency denominated capital) to provide financial support to the VIEs either through entrustment loans from our PRC subsidiaries or direct loans to such VIE’s nominee shareholders, which would be contributed to the VIEs as capital injections. Such direct loans to the nominee shareholders would be eliminated in our consolidated financial statements against the VIE’s share capital.

5.C. Research and Development, Patents and Licenses, Etc.

Our strong technological capabilities support the stable operation of our platforms. Flexibility and scalability are combined when delivering superior services, which increase operational efficiency and enable innovations. Our platforms incorporate the following features: (i) audio making, (ii) AI-enabled discovery and distribution, (iii) user-experience enhancements, and (iv) data storage and backup technologies. We will continue to strengthen our technologies and big data analytic capabilities to enhance user experience and achieve operational efficiencies.

5.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, 2025 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 condition.

5.E. Critical Accounting Estimates

Critical accounting estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires our management to make estimates that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet dates, as well as the reported amounts of revenues and expenses during the reporting periods. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on our own historical experience and other assumptions that we believe are reasonable after taking account of our circumstances and expectations for the future based on available information. We evaluate these estimates on an ongoing basis.

We consider an accounting estimate to be critical if: (i) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (ii) changes in the estimate that are reasonably likely to occur from period to period or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. There are other items within our financial statements that require estimation but are not deemed critical, as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. For a detailed discussion of our significant accounting policies and related judgments, see “Note 2 Significant Accounting Policies” in the Notes to Consolidated Financial Statements included elsewhere in this annual report.

The following is a brief description of our critical accounting estimate:

Critical accounting estimate in provision for income taxes and valuation allowance for deferred tax assets

We are subject to the income tax laws of the various jurisdictions in which we operate. These laws are often complex and may be subject to different interpretations. To determine the financial statement impact of accounting for income taxes, including the provision for income tax expense and valuation allowance for deferred tax assets, we must make assumptions and judgments about how to interpret and apply these complex tax laws to numerous transactions and business events, as well as make judgments regarding the timing of when certain items may affect taxable income in various tax jurisdictions.

Our interpretations of tax laws are subject to review and examination by the various taxing authorities in the jurisdictions where we operate, and disputes may occur regarding our view on a tax position. These disputes over interpretations with the various taxing authorities may be settled by audit, administrative appeals or adjudication in the court systems of the tax jurisdictions in which we operate. We regularly review whether it may be assessed additional income taxes as a result of the resolution of these matters, and records additional unrecognized tax benefits as necessary. In addition, we may revise our estimate of income taxes due to changes in income tax laws, legal interpretations, and business strategies. It is possible that revisions in our estimate of income taxes may materially affect the Group's results of operations.

We apply a more likely than not (defined as a likelihood of more than 50%) threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the possible amount being realized upon settlement. We adjust the unrecognized tax benefits as necessary when new information becomes available, including changes in tax law and regulations, and interactions with taxing authorities. Uncertain tax positions that meet the more-likely-than-not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the possible amount of benefit that management believes is more likely than not to be realized upon settlement. Although we believe that our estimates are reasonable, the final tax amount could be different from the amounts reflected in our income tax provisions and accruals. To the extent that the final provision for income taxes in the period in which such a determination is made. For the years ended December 31, 2023, 2024 and 2025, we had recorded income tax expenses of RMB0.4 million, RMB3.3 million and RMB2.8 million (US\$0.4 million), respectively.

Deferred taxes arise from differences between assets and liabilities measured for financial reporting versus income tax return purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized within the provision for income taxes in the period enacted.

We recognize deferred tax assets in connection with certain tax attributes, including mainly the net operating loss ("NOL") carryforwards, and performs regular reviews to ascertain whether our deferred tax assets are realizable. These reviews include management's estimates and assumptions regarding future taxable income and may incorporate various tax planning strategies, including strategies that may be available to utilize NOLs before they expire. In connection with these reviews, if it is determined that a deferred tax asset is not realizable, a valuation allowance is established. The valuation allowance may be reversed in a subsequent reporting period if management determines that, based on revised estimates of future taxable income or changes in tax planning strategies, it is more likely than not that all or part of the deferred tax asset will become realizable. As of December 31, 2023, 2024 and 2025, management does not believe that sufficient positive evidence exists to conclude that the recoverability of our deferred tax assets is more likely than not to be realized. Consequently, we have provided full valuation allowances on the related deferred tax assets.

Our provision for income taxes is composed of current and deferred taxes. The current and deferred tax provisions are calculated based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are generally recorded in the period when the tax returns are filed and the global tax implications are known, which could impact our effective tax rate.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

Directors and Executive Officers	Age	Position/Title
Mr. Jinnan (Marco) Lai	50	Founder, Chief Executive Officer and Chairman of the Board of Directors
Ms. Juan Ren	40	Vice President and Director
Mr. Yipeng Li	48	Independent Director
Mr. Ming Zhang	48	Independent Director
Mr. Xiang Wang	64	Independent Director
Ms. Chengfang Lu	38	Vice President of Finance and Acting Chief Financial Officer
Mr. Ning Ding	46	Co-founder and Chief Technology Officer
Mr. Zelong Li	41	Chief Operating Officer

Mr. Jinnan (Marco) Lai is our founder, Chief Executive Officer and director. Mr. Lai has served as a director and the Chief Executive Officer of Lizhi BVI since 2010 and our director and Chief Executive Officer since January 2019. Before founding Sound Group Inc., Mr. Lai was a successful serial entrepreneur in China's internet industry. He worked as the Chief Executive Officer for Shanghai Labox Information Technology Limited from 2007 to 2010, and also founded Guangzhou Mowang Information Technology Co., Ltd. and served as its president from 2003 to 2007. Before starting his business career, Mr. Lai was a radio host.

Ms Juan Ren is our Vice President and director. Ms. Ren has served as our Vice President and director since January 2020. Ms. Ren has been the Vice President of Guangzhou Lizhi since 2011. Previously, Ms. Ren served as a financial manager for a branch of Shenzhen B&K New Energy Co., Ltd. from 2007 to 2011. Ms. Ren received her bachelor's degree from Hubei Polytechnic University and EMBA degree from Guanghua School of Management, Peking University.

Mr. Yipeng Li has served as our independent director since January 2020. Mr. Li has served as the Chief Financial Officer of Cloopen Group Holding Limited since May 2020. Prior to that, Mr. Li served as the Chief Financial Officer of Sunlands Technology Group (NYSE: STG) from September 2017 to April 2020. Mr. Li served as the Chief Financial Officer of Alibaba Health Information Technology Limited (HKEX: 241), a subsidiary of Alibaba Group, from September 2015 to September 2017. Prior to that, he was the Chief Financial Officer at Jiuxian.com, a leading online platform for alcohol offerings from March 2015 to August 2015. From June 2010 to February 2015, Mr. Li served as the Vice President of iQIYI, Inc. (Nasdaq: IQ), in charge of its financial and legal department. Mr. Li received his bachelor's degree in accounting from Simon Fraser University in 2002. Mr. Li is a member of the Chinese Institution of Certified Public Accountants.

Mr. Ming Zhang has served as our independent director since July 2020. Mr. Zhang has nearly 20 years of experience in the internet technology industry. He founded Great Wall Club Inc. in 2008 and has been serving as the Chairman of its Board of Directors. He is also a prominent cross-border angel investor and the founder of GASA (Global Academy of Science and Arts).

Mr. Xiang Wang has served as our independent director since July 2020. He is an independent consultant and investor. Since December 31, 2022, he has served as a senior adviser for Xiaomi Corporation. Prior to that, he served as Xiaomi Corporation's President from November 2019 and as Partner and President from August 2020 to December 2022. Before then, he also served as Xiaomi Corporation's Senior Vice President from 2015 to 2019. Mr. Wang has over 20 years of experience in the semiconductor and communications industry. Before joining Xiaomi Corporation, he was the Senior Vice President and President of Qualcomm Greater China. Mr. Wang graduated from the Beijing University of Technology with a bachelor's degree in electronic engineering.

Ms. Chengfang Lu is our Acting Chief Financial Officer. Ms. Lu has served as our Acting Chief Financial Officer since June 2020. Ms. Lu also served as the Company's Vice President of Finance since December 2021 and Director of Finance from 2019 to December 2021. Previously, Ms. Lu worked at PricewaterhouseCoopers from 2013. Ms. Lu received her bachelor's degree and master's degree in accounting from Jinan University. Ms. Lu is a member of the Chinese Institution of Certified Public Accountants.

Mr. Ning Ding is our co-founder and Chief Technology Officer. Mr. Ding has served as a director of Lizhi BVI since March 2012, our Chief Technology Officer since January 2019, and our director from January 2019 to April 2022. Mr. Ding has also been the Chief Technology Officer of Guangzhou Lizhi since 2010. Previously, Mr. Ding served as the deputy general manager of technology for Shanghai Labox Information Technology Limited from 2007 to 2010. He worked for Guangzhou Mowang Information Technology Co., Ltd. as its development manager from 2006 to 2007. Mr. Ding graduated from Southwest University with a bachelor's degree in computer science and technology.

Mr. Zelong Li is our Chief Operating Officer. Mr. Zelong Li has served as our Chief Operating Officer since March 2021 and our director from March 2019 to April 2022. Mr. Li has been a Vice President of Guangzhou Lizhi since 2010 and a director of Lizhi BVI since June 2017. Before joining us, Mr. Li served as a product manager for Shanghai Labox Information Technology Limited from 2008 to 2010. Mr. Li graduated from Guangdong Mechanical & Electrical College of Technology with a bachelor's degree in computer application.

6.B. Compensation

Compensation

For the fiscal year ended December 31, 2025, we paid an aggregate of RMB14.0 million (US\$2.0 million) on an accrual basis to our executive officers, and an aggregate of RMB2.5 million (US\$0.4 million) on an accrual basis to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and the VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. For share incentive grants to our directors and executive officers, see "—Share Incentive Plan."

Employment Agreements and Indemnification Agreements

We have entered into an employment agreement with each of our executive officers. Each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer. We may also terminate an executive officer's employment without cause upon advance written notice. In such case of termination by us other than for cause, we will pay an additional amount to the executive officer as provided by applicable law. The executive officer may resign at any time with an advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use all non-public information relating to the business, financial condition and other aspects of us and our customers, users and suppliers, and may not disclose such non-public information for any purpose other than to fulfill his or her responsibilities in the best interest of the Company except otherwise authorized by us. In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment.

We have also entered into an indemnification agreement with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

Share Incentive Plan

In September 2018, Lizhi BVI adopted the 2018 Share Incentive Plan, or the 2018 BVI Plan. Under the 2018 BVI Plan, Lizhi BVI granted 27,765,900 options and restricted shares to its certain management members, employees and a consultant corresponding to 27,765,900 ordinary shares.

We adopted a share incentive plan on May 31, 2019, or the 2019 Share Incentive Plan, for the purpose of granting share based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. The 2019 Share Incentive Plan has replaced the 2018 BVI Plan in its entirety. All granted and outstanding awards under the 2018 BVI Plan have since been terminated.

We amended and restated the 2019 Share Incentive Plan on March 18, 2020, or the Amended and Restated 2019 Share Incentive Plan, to increase the maximum aggregate number of Class A ordinary shares we are authorized to issue under the Amended and Restated 2019 Share Incentive Plan to 100,000,000 Class A ordinary shares. On September 17, 2021, we adopted the Second Amended and Restated 2019 Share Incentive Plan to replace the Amended and Restated 2019 Share Incentive Plan in its entirety, increasing the maximum aggregate number of Class A ordinary shares we are authorized to issue under the Second Amended and Restated 2019 Share Incentive Plan to 170,000,000 Class A ordinary shares.

As of February 28, 2026, there are 20,016,720 options and restricted share units outstanding that were granted to certain management members, employees and consultant corresponding to 20,016,720 of our Class A ordinary shares pursuant to the Second Amended and Restated 2019 Share Incentive Plan. Among those, a total 841,050 Class A ordinary shares corresponding to restricted shares units granted to certain of our management members and director, were held by Kastle Limited, a company incorporated with limited liability under the laws of Hong Kong, as of February 28, 2026. Kastle Limited holds such ordinary shares in trust for the benefit of these management members and directors.

The maximum aggregate number of shares which may be issued pursuant to all awards under the Second Amended and Restated 2019 Share Incentive Plan is 170,000,000 Class A ordinary shares. As of February 28, 2026, awards representing 20,016,720 Class A ordinary shares have been granted and outstanding under the Second Amended and Restated 2019 Share Incentive Plan. The awards issued under the Second Amended and Restated 2019 Share Incentive Plan are vested by equal instalment from nil to four years upon our initial public offering in January 2020.

The following paragraphs summarize the terms of the Second Amended and Restated 2019 Share Incentive Plan.

Types of Awards. The Second Amended and Restated 2019 Share Incentive Plan permits the awards of options, restricted shares and restricted share units, or other right or benefit authorized to be granted under the Plan.

Plan Administration. The Second Amended and Restated 2019 Share Incentive Plan is administered by our board of directors or committee or individuals authorized by our board. The plan administrator is entitled to determine the participants who are to receive awards, the number of awards to be granted, and the terms and conditions of each award grant.

Eligibility. Employees, directors and officers and the consultants of our company are eligible to participate pursuant to the terms of the Second Amended and Restated 2019 Share Incentive Plan.

Conditions of Award. The plan administrator shall determine the participants, types of awards, numbers of shares to be covered by awards, terms and conditions of each award, and provisions with respect to the vesting schedule, settlement, exercise, repurchase, cancellation, forfeiture, restrictions, limitations or suspension of awards.

Term of Award. The term of each award shall be fixed by the administrator and is stated in the award agreement between recipient of an award and us. No award shall be granted under the Second Amended and Restated 2019 Share Incentive Plan after ten years from the date the Second Amended and Restated 2019 Share Incentive Plan was approved by the board.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. Unless otherwise determined by the administrator of the Second Amended and Restated 2019 Share Incentive Plan, no award and no right under any such award shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order, and shall not be subject to execution, attachment, or similar process.

Termination and Amendment. Unless terminated earlier, the Second Amended and Restated 2019 Share Incentive Plan has a term of 10 years. The plan administrator has the authority to amend or terminate the Second Amended and Restated 2019 Share Incentive Plan, provided that, such termination or amendment shall not adversely affect in any material way any awards previously granted unless agreed by the relevant grantee.

The following table summarizes, as of February 28, 2026, the number of the outstanding awards granted under the Second Amended and Restated 2019 Share Incentive Plan to our directors and executive officers.

Name	Exercise Price (US\$/share)	Ordinary Shares Underlying Outstanding Options, Restricted Shares and Restricted Share Units Awards Granted	Date of Grant	Date of Expiration
Mr. Jinnan (Marco) Lai	—	—	—	—
Mr. Ning Ding	Nominal	*	April 1, 2020	—
Mr. Zelong Li	Nominal	10,871,500	Various dates from May 31, 2019 to December 1, 2022	—
Mr. Yipeng Li	—	—	—	—
Ms. Juan Ren	Nominal	*	Various dates from May 31, 2019 to December 1, 2022	—
Ms. Chengfang Lu	Nominal	*	Various dates from April 1, 2020 to December 1, 2022	—
Mr. Ming Zhang	—	*	Various dates from July 13, 2020 to January 14, 2024	—
Mr. Xiang Wang	—	*	Various dates from July 13, 2020 to January 14, 2024	—

Note: * Less than 1% of our total outstanding shares.

As of February 28, 2026, other grantees under the Second Amended and Restated 2019 Share Incentive Plan as a group held awards representing 18,747,300 Class A ordinary shares.

For discussions of our accounting policies and estimates for awards granted pursuant to the Second Amended and Restated 2019 Share Incentive Plan, see “Item 5. Operating and Financial Review and Prospects—5.A. Operating Results—Critical Accounting Policies and Judgments—Share-based compensation.”

6.C. Board Practices

Board of Directors

Our board of directors consists of five directors, including three independent directors. A director is not required to hold any shares in our company to qualify to serve as a director. The Corporate Governance Rules of the Nasdaq generally require that a majority of an issuer’s board of directors must consist of independent directors. However, the Corporate Governance Rules of the Nasdaq permit foreign private issuers like us to follow “home country practice” in certain corporate governance matters. We rely on this “home country practice” exception and do not have a majority of independent directors serving on our board of directors.

A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his or her interest at a meeting of our directors. In addition, the interested director shall not vote (nor be counted in the quorum) on any resolution of our board of directors approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested in except for certain circumstances as set out in our Second Amended and Restated Memorandum and Articles of Association. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as 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 the following committees in our board of directors upon our initial public offering: an audit committee, a compensation committee and a nominating and corporate governance committee. The committees operate in accordance with terms of reference established by our board of directors.

Audit Committee. Our audit committee consists of Mr. Yipeng Li, Mr. Ming Zhang and Mr. Xiang Wang. Mr. Yipeng Li is the chairman of our audit committee. We have determined that each of Mr. Yipeng Li, Mr. Ming Zhang and Mr. Xiang Wang satisfies the “independence” requirements of Rule 5605(a) (2) of the Listing Rules of the Nasdaq Stock Market and Rule 10A-3 under the Securities Exchange Act of 1934. We have determined that Mr. Yipeng Li 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;
- 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 significant or material control deficiencies, if any;
- 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 of directors.

Compensation Committee. Our compensation committee consists of Mr. Jinnan (Marco) Lai, Ms. Juan Ren and Mr. Ming Zhang, and is chaired by Mr. Jinnan (Marco) Lai. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our executive officers. Our executive officer may not be present at any committee meeting during which such executive officer’s performance or compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation for our executive officers;
- reviewing and evaluating periodically the management succession plan in consultation with the chief executive officer;
- reviewing any incentive compensation or equity plans, programs or similar arrangements;
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration of all factors relevant to that person’s independence from management; and
- reporting periodically to the board of directors.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Mr. Jinnan (Marco) Lai, Ms. Juan Ren and Mr. Ming Zhang, and is chaired by Mr. Jinnan (Marco) Lai. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- recommending nominees to the board for membership on the board and its committees pursuant to the terms of the Second Amended and Restated Memorandum and Articles of Association;
- leading and overseeing self-evaluation of the board at least annually to determine whether it and its committees are functioning effectively;
- recommending criteria for the selection of candidates to the board of directors and its committees;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- developing and recommending to the board of directors the code of business conduct and ethics; and
- overseeing and setting compensation for our directors.

Duties and Functions of Directors

Under the common law of the Cayman Islands, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to exercise the skill they actually possess and such care and diligence that a reasonable prudent person would exercise in comparable circumstances. 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, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached. The functions and powers of our board of directors include, among others, (i) convening shareholders' annual general meetings and reporting its work to shareholders at such meetings, (ii) declaring dividends and distributions, (iii) appointing officers and determining their terms of offices and responsibilities, and (iv) approving the transfer of shares of our company, including the registering of such shares in our share register.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board. Each director is not subject to a term of office and holds office until such time as his successor takes office or until the earlier of his death, resignation or removal from office by ordinary resolution or the affirmative vote of a simple majority of the other directors present and voting at a board meeting. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be of unsound mind; (iii) resigns by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of the Second Amended and Restated Memorandum and Articles of Association.

Board Diversity

Board Diversity Matrix (As of February 28, 2026)

Country of Principal Executive Offices:	Singapore
Foreign Private Issuer	Yes
Disclosure Prohibited Under Home Country Law	No
Total Number of Directors	5

	<u>Female</u>	<u>Male</u>	<u>Non-Binary</u>	<u>Did Not Disclose Gender</u>
Part I: Gender Identity				
Directors	1	4	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			–	
LGBTQ+			–	

6.D. Employees

We had 590 employees as of December 31, 2025. As of December 31, 2025, 52 of our full-time employees were located outside of China.

The following table sets forth a breakdown of our employees by function as of December 31, 2025:

	<u>Number of employees</u>	<u>% of total</u>
Research and development	74	12.6%
Operations and products	81	13.7%
Sales and marketing	72	2.2%
General and administration	363	61.5%
Total	590	100.0%

Our success depends on our ability to attract, retain and motivate qualified personnel. We offer competitive salaries and encourage a corporate culture of passion and innovation.

We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics policies and non-competition with most of our executive officers, managers and core employees. These contracts typically include a non-competition provision effective during and up to one year after their employment with us and a confidentiality provision effective during and after their employment with us.

Under PRC law, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based full-time employees, including pension, unemployment insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to make contributions from time to time to employee benefit plans for our PRC-based full-time employees at specified percentages of the salaries, bonuses and certain allowances of such employees, up to a maximum amount specified by the local governments in China.

None of our employees are represented by labor unions. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes.

6.E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of February 28, 2026 by:

- each of our directors and executive officers;
- all of our directors and executive officers as a group; and
- each of our principal shareholders who beneficially own more than 5% of our total outstanding ordinary shares.

The calculations in the table below are based on 834,829,150 ordinary shares issued and outstanding (excluding 841,050 ordinary shares issued to Kastle Limited).

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. 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. These shares, however, are not included in the computation of the percentage ownership of any other person. The table below excludes 841,050 ordinary shares issued to Kastle Limited, which holds such ordinary shares in trust for the benefit of certain of our senior management and directors before the corresponding share awards granted to such senior management and directors are vested pursuant to the Second Amended and Restated 2019 Share Incentive Plan, except when calculating the number of shares underlying share options held by such person or group that are exercisable or options and restricted share units that will become vested within 60 days after March 31, 2026.

	Ordinary Shares				
	Class A ordinary shares	Class B ordinary shares	Total ordinary shares on an as-converted basis	Percentage of total ordinary shares on converted basis	Percentage of aggregate voting power***
Directors and Executive Officers**†:					
Mr. Jinnan (Marco) Lai ⁽¹⁾	9,460,000	184,215,000	193,675,000	23.2%	65.1%
Mr. Ning Ding ⁽²⁾	1,000	39,000,000	39,001,000	4.7%	13.7%
Mr. Zelong Li	9,641,100	—	9,641,100	1.2%	0.3%
Mr. Yipeng Li	—	—	—	—	—
Ms. Juan Ren	*	—	*	*	*
Ms. Chengfang Lu	*	—	*	*	*
Mr. Ming Zhang	*	—	*	*	*
Mr. Xiang Wang	*	—	*	*	*
All Directors and Executive Officers as a Group	33,575,420	223,215,000	256,790,420	30.8%	79.7%
Principal Shareholders:					
Voice Future Ltd ⁽¹⁾	—	193,675,000	193,675,000	23.2%	65.1%
Voice Intelligence Ltd ⁽²⁾	—	39,000,000	39,000,000	4.7%	13.7%

Notes:

* Less than 1% of our total outstanding shares.

** For each person and group included in this column, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (i) 834,829,150, being the number of ordinary shares outstanding as of February 28, 2026, excluding 841,050 ordinary shares held by Kastle Limited, which holds such ordinary shares in trust for the benefit of certain of our senior management and directors before the corresponding share awards granted to such senior management and directors are vested pursuant to the Second Amended and Restated 2019 Share Incentive Plan, and (ii) the number of ordinary shares underlying options, restricted shares and restricted share units held by such person or group that are exercisable or issuable within 60 days after March 31, 2026.

*** For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our ordinary shares as a single class.

† The office address of our directors and executive officers is 108 Robinson Road, #09-01 Singapore 068900.

- (1) The number of ordinary shares beneficially owned represents 192,215,000 Class B ordinary shares held by Mr. Lai through Voice Future Ltd, or Voice Future. Voice Future is 5% owned by VOICE WORLD Ltd, an entity controlled by Mr. Jinnan (Marco) Lai, and 95% owned by Voice Home Ltd. The entire interest of Voice Home Ltd is held by TMF (Cayman) Ltd. as trustee for a trust established by Mr. Jinnan (Marco) Lai as settlor for the benefit of beneficiaries designated by Mr. Jinnan (Marco) Lai. All of the voting and dispositive power of Voice Future is vested in VOICE WORLD Ltd. VOICE WORLD Ltd is wholly owned by Mr. Jinnan (Marco) Lai. Voice Home Ltd disclaims beneficial ownership of the shares held by Voice Future Ltd except to the extent of its pecuniary interest therein. Voice Future is a company organized under the laws of the British Virgin Islands. The registered address of Voice Future is Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. VOICE WORLD Ltd. is a company organized under the laws of the British Virgin Islands. The registered address of VOICE WORLD Ltd. is Start Chambers, Wickhams Cay II, P.O. Box 2221, Road Town, Tortola, VG1110, British Virgin Islands.
- (2) The number of ordinary shares beneficially owned represents 39,000,000 Class B ordinary shares held by Mr. Ning Ding through Voice Intelligence Ltd, or Voice Intelligence. Voice Intelligence is 5% owned by AI VOICE Ltd., an entity controlled by Mr. Ding, and 95% owned by Voice Tech Ltd. The entire interest of Voice Tech Ltd is held by TMF (Cayman) Ltd. as trustee for a trust established by Mr. Ding as settlor for the benefit of beneficiaries designated by Mr. Ding. All of the voting and dispositive power of Voice Intelligence is vested in AI VOICE Ltd. AI VOICE Ltd is wholly owned by Mr. Ding. Voice Tech Ltd disclaims beneficial ownership of the shares held by Voice Intelligence Ltd except to the extent of its pecuniary interest therein. Voice Intelligence is a company organized under the laws of the British Virgin Islands. The registered address of Voice Intelligence is Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

To our knowledge, as of February 28, 2026, a total of 607,438,680 Class A ordinary shares are held by one record holder in the United States, which was Deutsche Bank Trust Company Americas, the depository of our ADR program, representing approximately 72.9% of our total outstanding shares. In addition, none of our outstanding Class A ordinary shares was held by any record holder in the United States as of February 28, 2026.

None of our shareholders has informed us that it is affiliated with a member of Financial Industry Regulatory Authority, or FINRA.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

6.F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation.

None.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—6.E. Share Ownership.” The Company’s major shareholders do have different voting rights than the other shareholders.

7.B. Related Party Transactions

Terms of Directors and Officers

See “Item 6. Directors, Senior Management and Employees—6.C. Board Practices—Terms of Directors and Officers.”

Contractual Arrangements with the VIEs and the VIEs' Respective Shareholders

See “Item 4. Information on the Company—4.C. Organizational Structure—Contractual Arrangements with the VIEs and the VIEs' Respective Shareholders.”

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—6.B. Compensation—Employment Agreements and Indemnification Agreements.”

Share Incentives

See “Item 6. Directors, Senior Management and Employees—6.B. Compensation—Share Incentive Plan.”

Other Related Party Transactions

During the year ended December 31, 2025, other than disclosed elsewhere, we did not have any other related party transactions.

7.C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Litigation

We are currently not a party to any material legal or administrative proceedings. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business involving our users, hosts and competitors in matters relating to copyrights, unfair competition, contract disputes and other matters. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—We may be liable for intellectual property infringement relating to intellectual properties of third parties, which may materially and adversely affect our business, financial condition and prospects,” “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—We may be held liable for information or content displayed on, retrieved from or linked to our platforms, if such content is deemed to violate any PRC laws or regulations, or for improper or fraudulent activities conducted on our platforms, and PRC authorities may impose legal sanctions on us and our reputation may be damaged,” “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—Implementation of the labor laws and regulations in China may adversely affect our business and results of operations,” and “Item 3. Key Information—3.D. Risk Factors—We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.”

The Independent Investigation

Background

In March 2024, we encountered difficulties obtaining response from a third-party financial institution (the “Financial Institution”) which we had US\$12.8 million deposit (the “Relevant Deposit”) remaining. Thereafter, we had difficulties withdrawing the Relevant Deposit from the Financial Institution (the “Incident”). We considered that the recoverability of the Relevant Deposit was uncertain.

To gain a comprehensive understanding of the Incident and to facilitate the audit procedure, our audit committee engaged a reputable accounting firm which is not our auditor (the “Investigating Firm”) to perform an independent investigation on the Incident (the “Investigation”). The Investigation involves examining documents, conducting interviews with relevant personnel, obtaining relevant confirmations from the Financial Institution, performing independent background check, performing site visits, assessing specific internal control and performing computer forensic review. The Investigation was completed in October 2024.

Summary of Findings

The Investigation did not uncover any substantive issue in connection with the Incident. However, certain findings regarding internal control were noticed in relation to the Incident, including our (i) lack of documentation for account opening and fund withdrawal, (ii) lack of data retention and back up of emails for our resigned employee, and (iii) lack of approval record for account opening and fund withdrawal. We are implementing measures to enhance our internal controls in light of these findings as further described below.

Remedial Measures in Response to Investigation

To enhance our internal controls in light of the aforementioned findings, we, under the supervision of our audit committee, has begun and will continue implementing enhanced internal control procedures, including, among others, (i) establishing relevant policies and providing pertinent training for our employees related to documentation practices, (ii) enhancing the implementation of our fund management policy to establish clear roles and responsibilities for relevant staff to address accounting and financial reporting issue to ensure strict compliance with related laws and regulations, and (iii) strengthening internal controls related to record maintenance to ensure our asset transactions are accurately and fairly reflect.

Financial Impact

We have conducted credit evaluations of our receivables from the Financial Institution and concluded that the receivables are subject to a risk of default. As a result, the receivables is fully provided for as disclosed elsewhere in this annual report. We will continue to monitor the progress and assess the recoverability of the funds as new information becomes available.

Dividend Policy

We do not expect to adopt a regular dividend policy in the foreseeable future. However, as our business continues to evolve, we may, from time to time, return capital to shareholders through special cash dividends.

In 2025, we declared and paid a special cash dividend of US\$0.005 per ordinary share, or US\$1.00 per ADS, to holders of ordinary shares and ADSs of record as of a record date approved by our board of directors. The total cash distributed in connection with this dividend was approximately US\$4.3 million.

In March 2026, we declared a special cash dividend of US\$0.006 per ordinary share, or US\$1.20 per ADS, to holders of ordinary shares and ADSs of record as of a record date approved by our board of directors. The total cash distributed in connection with this dividend will amount to approximately US\$5 million, with payments expected to be made on or around May 12, 2026, for holders of ordinary shares and ADSs.

We are an exempted company incorporated in the Cayman Islands with limited liability. We rely principally on dividends from our PRC subsidiaries for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us. See “Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations Related to Dividend Distribution.”

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the Class A ordinary shares underlying the ADSs to the depositary, as the registered holder of such Class A ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the Class A ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Item 12. Description of Securities Other Than Equity Securities—12.D. American Depositary Shares.”

8.B. Significant Changes

Except as otherwise disclosed in this report, we have not experienced any significant changes since the date of our audited consolidated financial statements included herein.

ITEM 9. THE OFFER AND LISTING

9.A. Offering and Listing Details

Our ADSs have been listed on the Nasdaq Capital Market since March 30, 2023, and prior to that were listed on the Nasdaq Global Market from January 17, 2020 to March 29, 2023, both under the symbol “LIZI”. In January 2024, we changed our corporate name from “LIZHI INC.” to “Sound Group Inc.” and changed the ticker symbol of our American depository shares listed on the Nasdaq Capital Market from “LIZI” to “SOGP.” Trading under the new ticker symbol commenced on January 25, 2024.

Each ADS represents two hundred (200) of our Class A ordinary shares.

9.B. Plan of Distribution

Not applicable.

9.C. Markets

Each ADS represents two hundred (200) of our Class A ordinary shares. Our ADSs have been listed on the Nasdaq Capital Market since March 30, 2023, and prior to that were listed on the Nasdaq Global Market from January 17, 2020 to March 29, 2023, both under the symbol “LIZI”. In January 2024, we changed our corporate name from “LIZHI INC.” to “Sound Group Inc.” and changed the ticker symbol of our American depository shares listed on the Nasdaq Capital Market from “LIZI” to “SOGP.” Trading under the new ticker symbol commenced on January 25, 2024.

9.D. Selling Shareholders

Not applicable.

9.E. Dilution

Not applicable.

9.F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. Share Capital

Not applicable.

10.B. Memorandum and Articles of Association

We are an exempted company incorporated under the laws of the Cayman Islands and our affairs are governed by our Second Amended and Restated Memorandum and Articles of Association, as amended and restated from time to time, and Companies Act (as amended) of the Cayman Islands, and the common law of the Cayman Islands.

We incorporate by reference into this annual report our Second Amended and Restated Memorandum and Articles of Association, the form of which was filed as Exhibit 3.2 to our registration statement on Form F-1 (File Number 333-234351) filed with the Securities and Exchange Commission on October 28, 2019, as amended. Our shareholders adopted our Second Amended and Restated Memorandum and Articles of Association by a special resolution in October 2019, which became effective immediately prior to completion of our initial public offering of ADSs representing our ordinary shares.

The following are summaries of material provisions of our Second Amended and Restated Memorandum and Articles of Association and the Companies Act (as amended) insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

According to Clause 3 of our Second Amended and Restated Memorandum of Association, the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by any law as provided by the Companies Act (as amended) or as the same may be revised from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees.”

Ordinary Shares

General. Holders of our ordinary shares will have the same rights except for voting and conversion rights. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. We may not issue share to bearer. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to our Second Amended and Restated Memorandum and Articles of Association and the Companies Act. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Our Second Amended and Restated Memorandum and Articles of Association provides that dividends may be declared and paid out of our profits, realized or unrealized, or out of the share premium account or as otherwise permitted by the Companies Act. No dividend may be declared and paid unless our directors determine that, immediately after the payment, we will be able to pay our debts as they become due in the ordinary course of business and we have funds lawfully available for such purpose.

Conversion. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof. Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any sale, transfer, assignment or disposition of any Class B ordinary shares by a holder thereof to any person who is not a Founder or an affiliate of a Founder, or upon a change of beneficial ownership of any Class B ordinary shares as a result of which any person who is not a Founder or an affiliate of a Founder becomes a beneficial owner of such Class B ordinary shares, each of such Class B ordinary shares will be automatically and immediately converted into one Class A ordinary share. For the purpose of the foregoing sentence, an “affiliate” of a Founder also includes the estates and trusts of such Founder. In addition, in the event that a beneficial owner of Class B ordinary shares is one of our directors or executive officers, where such person ceases to be a director or an executive officer of our company, the Class B ordinary shares such person holds do not automatically convert to Class A ordinary shares as a result of termination of such person’s directorship or employment of an executive officer of our company.

Voting Rights. Holders of Class A ordinary shares and Class B ordinary shares shall, at all times, vote together as one single class on all matters submitted to a vote by the members. Each Class A ordinary share shall be entitled to one vote on all matters subject to vote at general and special meetings of our company and each Class B ordinary share shall be entitled to 10 votes on all matters subject to vote at general and special meetings of our company.

A quorum required for a meeting of shareholders consists of one or more shareholders holding the majority of the votes attaching to the issued and outstanding shares entitled to vote at general meetings, which shall include the Founders present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. As a Cayman Islands exempted company with limited liability, we are not obliged by the Companies Act to call shareholders' annual general meetings. Our Second Amended and Restated Memorandum and Articles of Association provides that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our board of directors. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Shareholders' annual general meetings and any other general meetings of our shareholders may be called by a majority of our board of directors or our chairman or upon a requisition of shareholders holding at the date of deposit of the requisition not less than one-third of the votes attaching to the issued and outstanding shares entitled to vote at general meetings, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our Second Amended and Restated Memorandum and Articles of Association does not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. Advance notice of at least seven (7) days is required for the convening of our annual general meeting and other general meetings unless such notice is waived in accordance with our articles of association.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting, while a special resolution also requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our Second Amended and Restated Memorandum and Articles of Association.

Transfer of Ordinary Shares. Subject to the restrictions in our Second Amended and Restated Memorandum and Articles of Association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the Nasdaq may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two calendar months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice required of the Nasdaq, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 calendar days in any year as our board may determine.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. Any distribution of assets or capital to a holder of ordinary share will be the same in any liquidation event.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 calendar days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by an ordinary resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our Second Amended and Restated Memorandum and Articles of Association. Under the Companies Act, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Act no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding other than shares held as treasury shares, or (c) if we have commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. If at any time our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be varied with the consent in writing of holders of not less than two-thirds of the issued shares of that class or series or with the sanction of a resolution passed at a separate meeting of the holders of the shares of the class or series by two-thirds of the votes cast at such a meeting. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

Inspection of Books and Records. Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

Issuance of Additional Shares. Our Second Amended and Restated Memorandum and Articles of Association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent authorized but unissued.

Our Second Amended and Restated Memorandum and Articles of Association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Anti-Takeover Provisions. Some provisions of our Second Amended and Restated Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

Exempted Company. We are an exempted company with limited liability under the Companies Act. The Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may obtain an undertaking against the imposition of any future taxation (such undertakings can be given for up to 30 years);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company.

Beneficial Ownership. The Company is incorporated under the Companies Act and is therefore subject to the Cayman Islands Beneficial Ownership Transparency Act, 2023 (as amended), known as the BOTTA. Under the BOTTA, certain legal persons may benefit from an alternative route to compliance, such that the legal person is not required to establish and maintain a beneficial ownership register, but must provide the competent authority with written confirmation as to the legal person’s relevant category. Pursuant to the BOTTA, our company benefits from an alternative route to compliance, such that our company is not required to maintain a beneficial ownership register as a result of being listed on an approved stock exchange listed in Schedule 4 of the Companies Act. Our company’s corporate service provider is required to file with the competent authority such written confirmation in accordance with the BOTTA which shall include the name and jurisdiction of the approved stock exchange.

Change in Share Capital. Our company may (if authorized by its articles of association) reduce our share capital in any way:

- by special resolution and confirmation by the court; or
- by special resolution supported by a solvency statement made by the directors of the company.

10.C. Material Contracts

Except as otherwise disclosed in this annual report (including the exhibits hereto), we have not entered into any material contracts other than in the ordinary course of business and other than those described in this annual report.

10.D. Exchange Controls

The Cayman Islands currently has no exchange control regulations or currency restrictions. See “Item 4. Information on the Company—4.B. Business Overview—Regulation—Regulations Related to Foreign Exchange.”

10.E. Taxation

Cayman Islands Taxation

According to Walkers (Hong Kong), our Cayman counsel, the Cayman Islands currently have no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax. There are no other taxes likely to be material to us or holders of our ADSs or Class A ordinary shares 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.

Payments of dividends and capital in respect of the ADSs or Class A ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ADSs or Class A ordinary shares, nor will gains derived from the disposal of the ADSs or Class A ordinary shares be subject to Cayman Islands income or corporation tax.

People’s Republic of China Taxation

Under the PRC EIT Law, which became effective on January 1, 2008 and last amended on 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. Under the implementation rules to the PRC EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

SAT Circular 82 issued by the SAT in April 2009 specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises 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) not less 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 apply only to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise group and not those controlled by PRC individuals or foreigners, Fangda Partners, our legal counsel as to PRC law, has advised us that the determination criteria set forth therein may reflect 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. Further to SAT Circular 82, the SAT issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of regarding the determination on residence status and administration on post-determination matters. Our company is incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and its key assets are located, and its records (including the resolutions of its board of directors and there solutions of its shareholders) are maintained, outside the PRC. As such, we do not believe that our company meets all of the conditions above or is a PRC resident enterprise for PRC tax purposes even if the standards for “de facto management body” prescribed in SAT Circular 82 are applicable to us. For the same reasons, we believe our other entities outside China are not PRC resident enterprises either. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” There can be no assurance that the PRC government will ultimately take a view that is consistent with us. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. For example, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders (including our ADS holders). In addition, nonresident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or Class A ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or Class A ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. See “Risk Factors—Risks Related 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 ADS holders and have a material adverse effect on our results of operations and the value of your investment.”

Material U.S. Federal Income Tax Considerations

The following discussion describes material U.S. federal income tax consequences to the U.S. Holders of owning and disposing of the ADSs or Class A ordinary shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold the ADSs or Class A ordinary shares.

This discussion applies to a U.S. Holder that holds the ADSs or Class A ordinary shares as capital assets for U.S. federal income tax purposes (generally, property held for investment). It does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any minimum tax and the Medicare contribution tax consequences and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding ADSs or ordinary shares as part of a straddle, integrated or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes and their partners;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- insurance companies;
- certain U.S. expatriates;
- persons that own or are deemed to own ADSs or ordinary shares representing 10% or more of our voting power or value;
- persons holding ADSs or ordinary shares in connection with a trade or business outside the United States; or
- persons who acquired our ADSs or ordinary shares pursuant to the exercise of an employee stock option or otherwise as compensation.

If a partnership (or other entity that is classified as a partnership for U.S. federal income tax purposes) owns ADSs or ordinary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning ADSs or ordinary shares and their partners should consult their tax advisers as to their particular U.S. federal income tax consequences of owning and disposing of ADSs or ordinary shares.

This discussion is based on the Internal Revenue Code of 1986, as amended, (the "Code"), administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations, and the income tax treaty between the United States and the PRC, or the Treaty, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

As used herein, a "U.S. Holder" is a person that is eligible for the benefits of the Treaty, and that for U.S. federal income tax purposes is beneficial owner of our ADSs or Class A ordinary shares and:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Treasury regulations that apply to taxable years beginning on or after December 28, 2021, or the Foreign Tax Credit Regulations, may in some circumstances prohibit a U.S. person from claiming a foreign tax credit with respect to certain non-U.S. taxes that are not creditable under applicable income tax treaties. Accordingly, U.S. investors that are not eligible for Treaty benefits should consult their tax advisers regarding the creditability or deductibility of any PRC taxes imposed on dividends on, or dispositions of, the ADSs or Class A ordinary shares. This discussion, in so far as it addresses the creditability of PRC taxes, does not apply to investors in this special situation.

In general, a U.S. Holder that owns ADSs will be treated as the owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying ordinary shares represented by those ADSs.

This discussion does not address any U.S. federal taxes (such as estate or gift taxes) other than income taxes, nor does it address any state, local or non-U.S. considerations. U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of ADSs or ordinary shares in their particular circumstances.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation is a passive foreign investment company for U.S. federal income tax purposes, or PFIC, for any taxable year in which (i) 75% or more of its gross income consists of passive income; or (ii) 50% or more of the value of its assets (generally determined on an average quarterly basis) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns (or is treated as owning for U.S. federal income tax purposes), directly or indirectly, at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and certain gains. Cash is generally a passive asset for these purposes. Goodwill (the value of which may be determined by reference to the excess of the sum of the corporation's market capitalization and liabilities over the value of its assets) is generally characterized as a non-passive or passive asset based on the nature of the income produced in the activity to which the goodwill is attributable.

The assets shown on our balance sheet consist primarily of cash and cash equivalents, and while this continues to be the case, our PFIC status for any taxable year will depend largely on the value of our goodwill. The value of our goodwill for any taxable year may be determined in large part by reference to our average quarterly market capitalization for that year. Because of the low average value of our market capitalization during 2025, we believe we were likely a PFIC for our 2025 taxable year, and there is a significant risk that we will also be a PFIC for 2026 and possibly future taxable years. However, our PFIC status for any taxable year is an annual factual determination that can be made only after the end of that year and depends on the composition of our income and assets and the value of our assets from time to time. In addition, the extent to which our goodwill should be characterized as a non-passive asset is not entirely clear, and we have not obtained any valuation of our assets (including goodwill). Moreover, it is not entirely clear how the contractual arrangements between us, our WFOEs, the VIEs and the shareholders of the VIEs will be treated for purposes of the PFIC rules, and we may be or become a PFIC for any taxable year for which we would not otherwise be a PFIC if the VIEs are not treated as owned by us for these purposes. For these reasons, we cannot express an expectation as to our PFIC status for 2026 or any future taxable year. U.S. Holders of our ADSs or ordinary shares should consult their tax advisers regarding the value and characterization of our assets for purposes of the PFIC rules.

If we are a PFIC for any taxable year and any of our subsidiaries, the VIEs or other companies in which we own or are treated as owning equity interests is also a PFIC (any such entity, a "Lower-tier PFIC"), U.S. Holders will be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and will be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders will not receive the proceeds of those distributions or dispositions.

In general, if we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of its ADSs or ordinary shares will be allocated ratably over that U.S. Holder's holding period. The amounts allocated to the taxable year of the sale or disposition and to any year before we became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge will be imposed on the resulting tax liability for each such year. Furthermore, to the extent that distributions received by a U.S. Holder in any taxable year on its ADSs or ordinary shares exceed 125% of the average of the annual distributions on the ADSs or ordinary shares received during the preceding three taxable years or the U.S. Holder's holding period, whichever is shorter, the excess distributions will be subject to taxation in the same manner.

Under a rule commonly referred to as the “once a PFIC always a PFIC” rule, if we are a PFIC for any taxable year during which a U.S. Holder owns ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding taxable years during which the U.S. Holder owns the ADSs or ordinary shares, even if we cease to meet the threshold requirements for PFIC status. If we are a PFIC for any taxable year but cease to be PFIC for subsequent years, U.S. Holders should consult their tax advisers regarding the advisability of making a “deemed sale” election that will allow them to eliminate the continuing PFIC status under certain circumstances, but may require them to recognize gain taxed under the general PFIC rules described in the preceding paragraph.

Alternatively, if we are a PFIC and if the ADSs are “regularly traded” on a “qualified exchange,” a U.S. Holder of ADSs may make a mark-to-market election that will result in tax treatment different from the general tax treatment for PFICs described above. The ADSs will be treated as “regularly traded” for any calendar year in which more than a de minimis quantity of the ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter. The Nasdaq, where the ADSs are listed, is a qualified exchange for this purpose, but there is no assurance that our ADSs will be treated as regularly traded for any relevant period. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the ADSs at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder’s tax basis in the ADSs will be adjusted to reflect the income or loss amounts recognized. Any gain recognized on the sale or other disposition of ADSs in a taxable year in which we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election, with any excess treated as capital loss). If a U.S. Holder makes the mark-to-market election, distributions paid on ADSs will be treated as discussed under “—Taxation of Distributions” below (but subject to the discussion in the immediately subsequent paragraph). If we are a PFIC for any taxable year, U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances. In particular, U.S. Holders should consider carefully the impact of a mark-to-market election with respect to their ADSs given that we may have Lower-tier PFICs for which a mark-to-market election likely cannot be made.

If we are a PFIC (or with respect to a particular U.S. Holder are treated as a PFIC) for a taxable year in which we pay a dividend or for the prior taxable year, the favorable tax rate described below with respect to dividends paid to certain non-corporate U.S. Holders will not apply.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from the tax treatment for PFICs described above.

If we are a PFIC for any taxable year during which a U.S. Holder owns any ADSs or ordinary shares, the U.S. Holder will generally be required to file annual reports with the Internal Revenue Service. U.S. Holders should consult their tax advisers regarding the PFIC rules and their application.

Taxation of Distributions

This discussion is subject to the discussion above under “—Passive Foreign Investment Company Rules.”

Distributions paid on the ADSs or ordinary shares, other than certain pro rata distributions of ADSs or ordinary shares, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends paid to certain non-corporate U.S. Holders of ADSs may be taxable at favorable rates, subject to applicable limitations, including the unavailability of the favorable rates to PFIC shareholders, as discussed above. Non-corporate U.S. Holders should consult their tax advisers regarding the availability of this favorable rate in their particular circumstances.

Dividends will be included in a U.S. Holder's income on the date of the U.S. Holder's, or in the case of ADSs, the depository's, receipt. The amount of any dividend income paid in foreign currency will be the U.S. dollar amount calculated by reference to the spot rate in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the amount received. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Dividends will be treated as foreign-source income and will constitute passive category income or in certain cases, general category income, for foreign tax credit purposes. As described in "—People's Republic of China Taxation," dividends paid by us may be subject to PRC withholding tax. For U.S. federal income tax purposes, the amount of the dividend income will include any amounts withheld in respect of PRC withholding tax. Subject to applicable limitations, which vary depending upon the U.S. Holder's circumstances, PRC taxes withheld from dividend payments (at a rate not exceeding the applicable rate provided in the Treaty) generally will be creditable against a U.S. Holder's U.S. federal income tax liability. The rules governing foreign tax credits are complex, and U.S. Holders should consult their tax advisers regarding the creditability of foreign taxes in their particular circumstances. In lieu of claiming a credit, a U.S. Holder may elect to deduct such PRC taxes in computing its taxable income, subject to applicable limitations. An election to deduct creditable foreign taxes instead of claiming foreign tax credits must apply to all creditable foreign taxes paid or accrued in the relevant taxable year.

Sale or Other Taxable Disposition of ADSs or Ordinary Shares

This discussion is subject to the discussion above under "—Passive Foreign Investment Company Rules."

A U.S. Holder will generally recognize capital gain or loss on a sale or other taxable disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized on the sale or disposition and the U.S. Holder's tax basis in the ADSs or ordinary shares disposed of, in each case as determined in U.S. dollars. The gain or loss will be long-term capital gain or loss if at the time of the sale or disposition the U.S. Holder has owned the ADSs or ordinary shares for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders are subject to tax rates that are lower than those applicable to ordinary income. The deductibility of capital losses is subject to limitations.

As described in "—People's Republic of China Taxation," gains on the sale of ADSs or ordinary shares may be subject to PRC taxes. Under the Code, capital gains of U.S. persons are generally treated as U.S.-source income. However, a U.S. Holder may be able to elect to treat the gain as foreign-source income under the Treaty and claim a foreign tax credit with respect to any PRC tax on dispositions. The Foreign Tax Credit Regulations generally preclude a U.S. Holder from claiming a foreign tax credit with respect to PRC income taxes on gains from dispositions of ADSs or ordinary shares if the U.S. Holder does not elect to apply the benefits of the Treaty. However, in that case it is possible that any PRC taxes on disposition gains may either be deductible or reduce the amount realized on the disposition. The rules governing foreign tax credits and deductibility of foreign taxes are complex. U.S. Holders should consult their tax advisers regarding the consequences of the imposition of any PRC tax on disposition gains, including the Treaty's resourcing rule, any reporting requirements with respect to a Treaty-based return position and the creditability or deductibility of the PRC tax in their particular circumstances (including any applicable limitations).

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other "exempt recipient" or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle it to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to their ownership of ADSs or ordinary shares, unless the ADSs or ordinary shares are held in accounts at financial institutions (in which case the accounts may be reportable if maintained by non-U.S. financial institutions). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the ADSs or ordinary shares.

10.F. Dividends and Paying Agents

Not applicable.

10.G. Statement by Experts

Not applicable.

10.H. Documents on Display

We previously filed with the SEC registration statement on Form F-1 (File Number 333-234351), as amended, including annual report contained therein, to register additional securities that become effective immediately upon filing, to register our ordinary shares in relation to our initial public offering. We also filed with the SEC related registration statement on Form F-6 (File Number 333-235857) to register our ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. 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. Copies of reports and other information, when so filed with the SEC, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. 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 web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish Deutsche Bank Trust Company Americas, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

10.I. Subsidiary information

Not applicable.

10.J. Annual Report to Security Holders

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not been exposed to material risks due to changes in market interest rates, and we have not used any derivative financial instruments to manage our interest risk exposure.

We may invest the net proceeds we receive from the offering in interest-earning instruments. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall.

Foreign exchange risk

Substantially all of our revenues are denominated in Renminbi. The Renminbi is not freely convertible into foreign currencies for capital account transactions. The value of the Renminbi against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, 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 the Renminbi and the U.S. dollar in the future.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. To the extent that we need to convert U.S. dollars we received from our initial public offering in January 2020 into Renminbi for our operations or capital expenditures, 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.

As of December 31, 2025, we had U.S. dollar-denominated cash and cash equivalents and restricted cash of US\$12.5 million. A 10% depreciation of U.S. dollar against the Renminbi based on the foreign exchange rate on December 31, 2025 would result in a decrease of RMB8.8 million in cash and cash equivalents and restricted cash.

Inflation risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2023, 2024 and 2025 were increases of 0.2%, 1.5% and 0.8%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12.A. Debt Securities

Not applicable.

12.B. Warrants and Rights

Not applicable.

12.C. Other Securities

Not applicable.

12.D. American Depositary Shares

Fees and Expenses

Pursuant to the terms of the deposit agreement, as an ADS holder, you will be required to pay the following service fees to the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs):

Service	Fees
• To any person to which ADSs are issued or to any person to which a distribution is made in respect of ADS distributions pursuant to stock dividends or other free distributions of stock, bonus distributions, stock splits or other distributions (except where converted to cash)	Up to US\$0.05 per ADS issued
• Cancellation of ADSs, including the case of termination of the deposit agreement	Up to US\$0.05 per ADS cancelled
• Distribution of cash dividends	Up to US\$0.05 per ADS held
• Distribution of cash entitlements (other than cash dividends) and/or cash proceeds from the sale of rights, securities and other entitlements	Up to US\$0.05 per ADS held
• Distribution of ADSs pursuant to exercise of rights.	Up to US\$0.05 per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US\$0.05 per ADS held
• Depositary services	Up to US\$0.05 per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges (in addition to any applicable fees, expenses, taxes and other governmental charges payable on the deposited securities represented by any of your ADSs) such as:

Fees for the transfer and registration of Class A ordinary shares charged by the registrar and transfer agent for the Class A ordinary shares in the Cayman Islands (i.e., upon deposit and withdrawal of ordinary shares).

Expenses incurred for converting foreign currency into U.S. dollars.

Expenses for cable, telex and fax transmissions and for delivery of securities.

Taxes and duties upon the transfer of securities, including any applicable stamp duties, any stock transfer charges or withholding taxes (i.e., when Class A ordinary shares are deposited or withdrawn from deposit).

Fees and expenses incurred in connection with the delivery or servicing of Class A ordinary shares on deposit.

Fees and expenses incurred in connection with complying with exchange control regulations and other regulatory requirements applicable to Class A ordinary shares, deposited securities, ADSs and ADRs.

Any applicable fees and penalties thereon.

The depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary bank by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary bank and by the brokers (on behalf of their clients) delivering the ADSs to the depositary bank for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary bank to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed or by selling a portion of distributable property to pay the fees. In the case of distributions other than cash (i.e., share dividends, rights), the depositary bank charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary bank sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via DTC), the depositary bank generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to the ADS holder.

The depositary may make payments to us or reimburse us for certain costs and expenses, by making available a portion of the ADS fees collected in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Payments by Depositary

In 2020, we have received US\$1.0 million, net of applicable taxes as cash payment from Deutsche Bank Trust Company Americas, the depositary bank for our ADR program. As of December 31, 2024, we had paid a total of approximately US\$1.5 million remuneration fee to the depositary bank in relation to the implementation of ADS ratio change.

PART II

ITEM 13. ITEM DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

14.A.-14.D. Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of shareholders, which remain unchanged.

14.E. Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File No. 333-234351), as amended, including the annual report contained therein, which registered 82,000,000 Class A ordinary shares representing by ADSs and was declared effective by the SEC on January 16, 2020, for our initial public offering, which closed on January 22, 2020, at an initial offering price of US\$11.00 per ADS. Citigroup Global Markets Inc. was the representative of the underwriters.

In connection with the issuance and distribution of the ADSs in our initial public offering, our expenses incurred and paid to others totaled approximately US\$6.2 million, which included US\$3.6 million for underwriting discounts and commissions. None of the transaction expenses included direct or indirect payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates or others. We received an aggregate net proceeds of approximately US\$38.1 million from our initial public offering.

As of the date of this annual report, we used US\$38.1 million of the net proceeds received from our initial public offering for innovative products development, sales and marketing and general corporate purposes. We still intend to use the remainder of the proceeds from our initial public offering as disclosed in our registration statements on Form F-1.

None of these net proceeds from our initial public offering and the optional offering was paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates or others.

The following “Use of Proceeds” information relates to the registration statement on Form F-3, as amended (File No. 333-254782) that became effective immediately upon filing on April 2, 2021, and the applicable prospectus supplements in relation to our offering of 3,685,504 ADSs, representing 73,710,080 Class A ordinary shares and Warrants to purchase up to 2,764,128 ADSs representing 55,282,560 Class A ordinary shares in consideration for \$30,000,002 for our follow-on offering, which closed in April 2021. Kingswood Capital Markets, division of Benchmark Investments, Inc was the placement agent.

The total expenses incurred for our company’s account in connection with our follow-on offering was approximately US\$2.0 million, which included US\$1.5 million in underwriting discounts and commissions for the follow-on offering and approximately US\$0.5 million in other costs and expenses for our follow-on offering. We received net proceeds of approximately US\$28.5 million from our follow-on offering. None of the transaction expenses included payments to directors or officers of our company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds from the follow-on offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates.

For the period from April 2, 2021, the date that the registration statement on Form F-3 and the applicable prospectus supplement was declared effective by the SEC, to the date of this annual report, we used approximately US\$15.1 million of the net proceeds received from follow-on offering for general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Acting 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.

Based upon that evaluation, our management has concluded that, as of December 31, 2025, our disclosure controls and procedures was effective as of December 31, 2025.

Internal Control over Financial Reporting

In the course of auditing our consolidated financial statements in the prior years, we identified two material weaknesses in our internal control over financial reporting in accordance with the standards established by the Public Company Accounting Oversight Board of the United States. As defined in the standards established by the U.S. Public Company Accounting Oversight Board, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

One material weakness identified relates to our lack of sufficient and competent accounting and financial reporting personnel, including personnel with appropriate knowledge of U.S. GAAP and SEC financial reporting requirements. The lack of such personnel impacts our ability to timely and completely address complex U.S. GAAP accounting matters, carry out period-end financial reporting control and procedures, and prepare our consolidated financial statements and related disclosures to fulfill U.S. GAAP and SEC financial reporting requirements.

We have implemented a number of measures to address this material weakness, and plan to continue to implement these measures to improve our internal control on a continuing basis.

These measures include the following:

- (1) we have hired new accounting staff with appropriate knowledge and experience of U.S. GAAP and SEC financial reporting requirements to strengthen period-end financial reporting controls and procedures, and we also have plans to continue to hire additional talent with relevant expertise and capabilities;
- (2) we have established, and plan to continue to develop, an ongoing program to provide sufficient and appropriate training for financial reporting and accounting personnel, especially training related to U.S. GAAP and SEC financial reporting requirements;
- (3) we have assigned, and plan to continue to improve, clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues;
- (4) we have established an internal control department and correspondingly hired new staff, with professional knowledge and appropriate experience of Sarbanes-Oxley Act compliance projects, which could improve our overall controls over financial reporting and assist us to implement improvements for where necessary.

The other identified material weakness relates to our lack of comprehensive and continuous assessment and risk monitoring mechanism for our financial assets and collection risk associated with third-party financial institutions. This material weakness may expose us to increased credit risk and potential defaults, adversely affecting our ability to timely and completely identify and recognize credit losses in our consolidated financial statements and related disclosures.

To remediate this identified material weakness, we have adopted the following measures:

- (1) we have updated our fund management policies, which incorporate the assessment of financial institutions selection, periodic monitoring of changes in their operating conditions in subsequent periods, timely identification of other internal and external risk factors, and corresponding evaluations of the safety of our financial assets;
- (2) we have established, and plan to continue to develop, an ongoing program to provide sufficient and appropriate training of financial assets management and credit risk assessment methods for relevant personnel;

As of December 31, 2025, based on an assessment performed by our management on the performance of certain remediation measures, we determined that both of the material weaknesses had been remediated.

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 in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(c) of the Exchange Act, based on criteria established in the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2025.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting 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 and procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 20-F does not include an attestation report of internal controls from our independent registered public accounting firm due to our status as non-accelerated filer.

Changes in Internal Control over Financial Reporting

Other than described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this annual report on Form 20-F that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee consists of Mr. Yipeng Li, Mr. Ming Zhang and Mr. Xiang Wang. Mr. Yipeng Li is the chairman of our audit committee. We have determined that each of Mr. Yipeng Li, Mr. Ming Zhang and Mr. Xiang Wang satisfies the “independence” requirements of Rule 5605(a)(2) of the Listing Rules of the Nasdaq Stock Market and Rule 10A-3 under the Securities Exchange Act of 1934. We have determined that Mr. Yipeng Li qualifies as an “audit committee financial expert.”

ITEM 16.B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers, employees, including certain provisions that specifically apply to our principal executive officer, principal financial officer, principal accounting officer or controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 of our registration statement on Form F-1 (file No. 333-234351) filed with the SEC on October 28, 2019, as amended, and posted a copy of our code of business conduct and ethics on our website at www.soundgroupinc.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 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Auditor Fees

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers Zhong Tian LLP, our former independent registered public accounting firm, and Enrome LLP, our current independent registered public accounting firm, for the periods indicated.

Services	Year Ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
	(in thousands)		
Audit Fees ⁽¹⁾	14,741	3,139	3,846
Total	<u>14,741</u>	<u>3,139</u>	<u>3,846</u>

Note:

(1) *Audit Fees.* Audit fees mean the aggregate fees billed in each of the fiscal periods listed for professional services rendered by our principal auditors for the audit of our annual consolidated financial statements and assistance with and review of documents filed with the SEC.

On July 9, 2024, we engaged Enrome LLP as the Company's independent registered public accounting firm and dismissed PricewaterhouseCoopers Zhong Tian LLP. See also "Item 16.F. Change in Registrant's Certifying Accountant."

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firms, including audit services and audit-related services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

ITEM 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In December 2023, the Board authorized a share repurchase program with an aggregate value of up to US\$3,000,000 of the Company's Class A ordinary shares (including Class A ordinary shares in the form of American depository shares) from time to time during a 12-month period.

The table below is a summary of the shares repurchased by us from December 1, 2024 to December 31, 2025. All shares were repurchased in the open market pursuant to such share repurchase programs. No shares were repurchased by us from December 2024 to May 2025 and from October 2025 to December 2025.

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS	Total Dollar Value of ADSs Purchased	Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plans
June 2025	451,566	\$ 2.70	\$ 1,220,334	\$ 2,779,666
July 2025	453,414	\$ 5.47	\$ 2,480,578	\$ 299,088
August 2025	42,529	\$ 5.16	\$ 219,420	\$ 79,669
September 2025	3,743	\$ 21.28	\$ 79,654	\$ 15
Total	951,252	\$ 4.20	\$ 3,999,985	\$ 15

ITEM 16.F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

For a detailed description of the change in registrant's certifying accountant, see "Item 16.F. Change in Registrant's Certifying Accountant" of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on October 31, 2024.

ITEM 16.G. CORPORATE GOVERNANCE

As a Cayman Islands exempted company listed on Nasdaq Stock Market, we are subject to the corporate governance requirements under Nasdaq Rules. However, Rule 5615 of the Nasdaq Rules permits a foreign private issuer like our company to follow home country practice in lieu of certain corporate governance matters as required under Rule 5600 Series, Rule 5250(b)(3) and Rule 5250(d) of the Nasdaq Rules.

Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the corporate governance requirements under the Nasdaq Rules. We elect to rely on home country practice exemption in lieu of the requirements of the Rule 5600 Series of the Nasdaq Rules, except the following: compliance with the Notification of Noncompliance requirement (Rule 5625), the Voting Rights requirement (Rule 5640), the Diverse Board Representation Rule (Rule 5605(f)), the Board Diversity Disclosure Rule (Rule 5606), having an audit committee that satisfies Rule 5605(c)(3), and ensuring that such audit committee's members meet the independence requirement in Rule 5605(c)(2)(A)(ii).

In particular, we relied on home country practice exemption with respect to Rule 5620(a) of the Nasdaq Rules, which requires a Nasdaq-listed company to hold an annual meeting of Shareholders no later than one year after the end of the company's fiscal year-end and we did not hold an annual shareholders meeting in 2021. We may, however, hold annual shareholder meetings in the future if there are significant issues that require shareholders' approvals.

We elected to follow home country practice exemption and be exempt from the requirements to obtain shareholder approval for (1) certain acquisitions of the stock or assets of another company under Rule 5635(a) of the Nasdaq Rules, (2) the issuance of securities when the issuance or potential issuance will result in a change of control of the Company under Rule 5635(b) of the Nasdaq Rules, (3) the issuance of securities when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended under Rule 5635(c) of the Nasdaq Rules, and (4) the issuance of 20% or more of its outstanding ordinary shares under Rule 5635(d) of the Nasdaq Rules. We relied on our home country practice exemption to be exempt from Rule 5605(d)(2) of the Nasdaq Rules, which requires a Nasdaq-listed company to establish a compensation committee comprised entirely of independent directors and we do not have a compensation committee comprised solely of independent directors. We relied on our home country practice exemption to be exempt from Rule 5605(e)(1) of the Nasdaq Rules, which requires a Nasdaq-listed company to nominate director nominees either by a majority independent board or by a nominations committee comprised solely of independent directors and we do not have a majority independent board or a nominations committee comprised solely of independent directors. We relied on our home country practice exemption to be exempt from Rule 5250(b)(3) of the Nasdaq Rules, which requires a Nasdaq-listed company to disclose third party director and nominee compensation no later than when the companies files its next Form 20-F. Subject to Nasdaq Rules, we may also opt to rely on additional home country practice exemptions in the future.

Our shareholders may be afforded less protection than they otherwise would under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our American Depositary Shares—As an exempted company incorporated in the Cayman Islands with limited liability, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq corporate governance listing standards.”

ITEM 16.H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16.I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ITEM 16.J. INSIDER TRADING POLICIES

We have adopted insider trading policies and procedures governing the purchase, sale and other dispositions of our securities by directors, senior management and employees, which policies and procedures are reasonably designed to promote compliance with applicable insider trading laws, rules and regulations, and any listing standards applicable to us. We have filed our insider trading policies, as amended, as Exhibit 11.2 to this annual report on Form 20-F.

ITEM 16.K. CYBERSECURITY

Cybersecurity Risk Management

Cybersecurity risk management is an integral part of our overall security management practices. Over the years, we have developed a set of internal rules and processes for handling cybersecurity threats and incidents and facilitated coordination across different functions and business units within our company. These rules and processes cover, among other things, steps for assessing the severity of a cybersecurity threat, identifying its source, implementing protective measures, and keeping the management and our board of directors informed of material cybersecurity threats and incidents. Depending on our needs, we either collaborate with third-party security experts for risk assessment and system enhancements or rely on our in-house teams for these critical assessments.

Our senior executive officers oversee a specialized internal cybersecurity panel responsible for the oversight of risks from cybersecurity threats. This panel plays a crucial role in managing our cybersecurity efforts, including identifying and assessing risks, and developing strategies to address and lessen these risks. Members of this panel regularly receive detailed reports from the personnel focused on cybersecurity to guide their decisions in preventing, detecting, and managing security incidents. Our cybersecurity panel and personnel are highly skilled in information systems security and management. Members of our cybersecurity panel are experienced information systems security professionals and most of them are information security managers with more than 5 years of relevant experience. Some of the cybersecurity team members have obtained relevant certifications, such as the Certified Information Security Professional (CISP). Our dedicated cybersecurity personnel regularly update our cybersecurity panel, management and the board of directors on our overall cybersecurity practices, material cybersecurity risks and mitigation strategies, and provide cybersecurity reports periodically that cover, among other topics, external evaluations of our cybersecurity strategies, developments in cybersecurity and updates to our cybersecurity practices and mitigation strategies.

In 2025, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced an undetected cybersecurity incident. For more information about these risks, please see “Item 3. Key Information—3.D. Risk Factors—Risks Related to Our Business and Industry—Concerns about the collection, use and disclosure of personal data and other privacy-related and security matters could deter customers and users from using our services and adversely affect our reputation and business” on page 43 of this annual report.

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 Sound Group Inc. are included at the end of this annual report.

ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1	<u>Second Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
2.1	<u>Form of Registrant's Specimen American Depositary Receipt (incorporated by reference to Exhibit 99.1 to our Post-effective Amendment No.1 to Form F-6 Registration Statement (File No. 333-235857), filed with the SEC on September 20, 2023)</u>
2.2	<u>Registrant's Specimen Certificate for Ordinary shares (incorporated by reference to Exhibit 4.2 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
2.3	<u>Form of Deposit Agreement (incorporated by reference to Exhibit 4.3 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
2.4	<u>Form of Amendment No.1 to Deposit Agreement (incorporated by reference to Exhibit 99.1 to our Post-effective Amendment No.1 to Form F-6 Registration Statement (File No. 333-235857), filed with the SEC on September 20, 2023)</u>
2.5	<u>Description of Securities registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 2.4 to our Form 20-F (File No. 001-39177) filed with the SEC on October 31, 2024)</u>
4.1	<u>Sound Group Inc. (formerly known as LIZHI INC.) Amended and Restated 2019 Share Incentive Plan (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 20-F (File no. 001-39177) filed with the SEC on April 20, 2020)</u>
4.2	<u>Sound Group Inc. (formerly known as LIZHI INC.) Second Amended and Restated 2019 Share Incentive Plan (incorporated by reference to Exhibit 10.1 to our registration statement on Form S-8 (File no. 333-259595) filed with the SEC on September 17, 2021)</u>
4.3	<u>Form of Indemnification Agreement with the Registrant's directors and executive officers (incorporated by reference to Exhibit 10.2 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
4.4	<u>Form of Employment Agreement between the Registrant and a director or executive officer of the Registrant (incorporated by reference to Exhibit 10.3 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
4.5	<u>Shareholders Agreement dated March 6, 2019 by and among the Registrant, its ordinary shareholders, preferred shareholders and other parties named therein (incorporated by reference to Exhibit 4.4 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
4.6	<u>English translation of the equity pledge agreement entered into on January 17, 2023 by and between Hongyi Technology and the shareholders of Guangzhou Lizhi (incorporated by reference to Exhibit 4.6 to our Form 20-F (File No. 001-39177) filed with the SEC on April 28, 2023)</u>
4.7	<u>English translation of the supplemental agreement of the equity pledge agreement entered into on May 8, 2023 by and between Hongyi Technology and the shareholders of Guangzhou Lizhi (incorporated by reference to Exhibit 4.7 to our Form 20-F (File No. 001-39177) filed with the SEC on October 31, 2024)</u>
4.8	<u>English translation of the exclusive equity transfer option agreement entered into on January 17, 2023 by and among Hongyi Technology, Guangzhou Lizhi and the shareholders of Guangzhou Lizhi (incorporated by reference to Exhibit 4.7 to our Form 20-F (File No. 001-39177) filed with the SEC on April 28, 2023)</u>
4.9	<u>English translation of the amended and restated agreement of exclusive technical consulting and management service agreement entered into on June 9, 2017 by and between Hongyi Technology and Guangzhou Lizhi (incorporated by reference to Exhibit 10.6 to our registration statement on Form F-1 (File No. 333-234351), as amended, initially filed with the SEC on October 28, 2019)</u>
4.10	<u>English translation of the supplementary agreement of the amended and restated agreement of exclusive technical consulting and management service agreement entered into on May 8, 2023 by and between Hongyi Technology and Guangzhou Lizhi (incorporated by reference to Exhibit 4.10 to our Form 20-F (File No. 001-39177) filed with the SEC on October 31, 2024)</u>
4.11	<u>English translation of the business operation agreement entered into on January 17, 2023 by and among Hongyi Technology, Guangzhou Lizhi and the shareholders of Guangzhou Lizhi (incorporated by reference to Exhibit 4.9 to our Form 20-F (File No. 001-39177) filed with the SEC on April 28, 2023)</u>

- 4.12 [English translation of the power of attorney dated January 17, 2023 issued by Zhuhai Dayin Ruoxi Enterprise Management Center \(Limited Partnership\)\(珠海市大音若希企业管理中心\(有限合伙\)\), one of the shareholders of Guangzhou Lizhi \(incorporated by reference to Exhibit 4.10 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.13 [English translation of the power of attorney dated January 17, 2023 issued by Mr. Ning Ding, one of the shareholders of Guangzhou Lizhi \(incorporated by reference to Exhibit 4.11 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.14 [English translation of the power of attorney dated January 17, 2023 issued by Guangzhou Shengchuang Network Technology Co., Ltd \(广州声创网络技术有限公司\), one of the shareholders of Guangzhou Lizhi \(incorporated by reference to Exhibit 4.12 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.15 [English translation of the first amended and restated agreement of equity pledge agreement entered into on January 6, 2023 by and between Guangzhou QingYin and the shareholders of Guangzhou Huanliao \(incorporated by reference to Exhibit 4.13 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.16 [English translation of the supplementary agreement of the first amended and restated agreement of equity pledge agreement entered into on May 8, 2023 by and between Guangzhou QingYin and the shareholders of Guangzhou Huanliao \(incorporated by reference to Exhibit 4.16 to our Form 20-F \(File No. 001-39177\) filed with the SEC on October 31, 2024\)](#)
- 4.17 [English translation of the first amended and restated agreement of exclusive equity transfer option agreement entered into on January 6, 2023 by and among Guangzhou QingYin, Guangzhou Huanliao and the shareholders of Guangzhou Huanliao \(incorporated by reference to Exhibit 4.14 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.18 [English translation of the exclusive technical consulting and management service agreement entered into on July 19, 2022 by and between Guangzhou QingYin and Guangzhou Huanliao \(incorporated by reference to Exhibit 4.15 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.19 [English translation of the supplementary agreement of exclusive technical consulting and management service agreement entered into on May 8, 2023 by and between Guangzhou QingYin and Guangzhou Huanliao \(incorporated by reference to Exhibit 4.19 to our Form 20-F \(File No. 001-39177\) filed with the SEC on October 31, 2024\)](#)
- 4.20 [English translation of the first amended and restated agreement of business operation agreement entered into on January 6, 2023 by and among Guangzhou QingYin, Guangzhou Huanliao and, the shareholders of Guangzhou Huanliao \(incorporated by reference to Exhibit 4.16 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.21 [English translation of the power of attorney dated January 6, 2023 issued by Mr. Ning Ding, one of the shareholders of Guangzhou Huanliao \(incorporated by reference to Exhibit 4.17 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 4.22 [English translation of the power of attorney dated January 6, 2023 issued by Ms. Juan Ren, one of the shareholders of Guangzhou Huanliao \(incorporated by reference to Exhibit 4.18 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 28, 2023\)](#)
- 8.1* [Significant subsidiaries and VIEs of the registrant](#)
- 11.1 [Code of Business Conduct and Ethics of the Registrant \(incorporated by reference to Exhibit 99.1 to our registration statement on Form F-1 \(File No. 333-234351\), as amended, initially filed with the SEC on October 28, 2019\)](#)
- 11.2 [Insider Trading Policies \(incorporated by reference to Exhibit 11.2 to our Form 20-F \(File No. 001-39177\) filed with the SEC on April 29, 2025\)](#)
- 12.1* [Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 12.2* [Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 13.1** [Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 13.2** [Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 15.1* [Consent of Walkers \(Hong Kong\)](#)
- 15.2* [Consent of Fangda Partners](#)
- 15.3* [Consent of Enrome LLP](#)
- 97.1* [Compensation Recoupment Policy](#)
- 101.INS* Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document
- 101.CAL* Inline XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* Inline XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* Inline XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* Inline XBRL Taxonomy Extension Presentation Linkbase Document
- 104* Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Sound Group Inc.

By: /s/ Jinnan (Marco) Lai

Name: Jinnan (Marco) Lai

Title: Chief Executive Officer, Director

Dated: April 30, 2026

SOUND GROUP INC.
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents	Page
<u>Report of Independent Registered Public Accounting Firm</u> (PCAOB ID: 6907)	F-2
<u>Consolidated Balance Sheets as of December 31, 2024 and 2025</u>	F-3
<u>Consolidated Statements of Operations and Comprehensive (Loss)/Income for the years ended December 31, 2023, 2024 and 2025</u>	F-4
<u>Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2023, 2024 and 2025</u>	F-5
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2024 and 2025</u>	F-7
<u>Notes to the Consolidated Financial Statements</u>	F-8

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Sound Group Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sound Group Inc. (the “Company”) and its subsidiaries (the “Group”) as of December 31, 2025 and 2024, and the related consolidated statements of operations and comprehensive (loss)/income, changes in shareholders’ equity and cash flows for the years ended December 31, 2025, 2024 and 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years ended December 31, 2025, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Convenience Translations

Our audits also comprehended the translation of Renminbi amounts into United States dollar amount and, in our opinion, such translation has been made in conformity with the basis stated in note 2(e) to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside of the People’s Republic of China.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated 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 Group 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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group 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 Group’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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recognition of revenue generated from the value-added services

Description of the Matter

The Group generates value-added service revenue from the sale of virtual items to the paying users purchased on the Group’s platforms, which are consumed on its platforms. The Group operates a recharge system that allows users to purchase virtual currency, which is then used to acquire virtual items for use on the Group’s platforms. Because of the nature and significant volume of the Group’s virtual items transactions, the Group uses automated Information Technology systems to process and record the quantities of the virtual items and use weighted average method to record the value of the virtual items.

We identified revenue from sales of virtual items as a critical audit matter considering the nature and the quantities of the audit evidence obtained is highly dependent on the Company’s information technology (“IT”) systems as well as the timing and amount of revenue recognition from the sales of the virtual items using weighted average method to record the value of the virtual items. This required an increased extent of effort to determine the nature, timing and extent of audit evidence required to be obtained, including the need for us to involve IT specialists to assist with the performance of certain audit procedures.

How We Addressed the Matter in Our Audit

Our procedures in relation to the recognition of revenue generated from sales of virtual items included:

- (i) We tested the management’s identification of significant contract terms, including the identification and determination of distinct performance obligations;
- (ii) We obtained an understanding and evaluated the design of internal controls related to the identification of distinct performance obligations and the determination of selling prices for each distinct performance obligation from sales of virtual items;
- (iii) With the assistance of our IT specialists, we identified the Group’s relevant systems used to process the revenue transactions related to the consumption of virtual items and tested the general IT controls systems and the information technology application control (“ITAC”), including, user access controls, change management controls, and IT operations controls;
- (iv) With the assistance of our IT specialists, we tested the completeness and accuracy of the process for recording the quantities of the sale of the virtual items. We also further tested samples of transactions related to purchase of the virtual currency and consumption of virtual items;
- (v) We performed completeness procedures to reconcile the cash received and recorded in the payment system with the collection records of major third-party online payment channels;
- (vi) We performed analytical procedures and data analysis related to user consumption patterns and revenue trends;

- (vii) We tested samples of transactions to evaluate the timing and amount of revenue recognized;
- (viii) We performed substantive tests on the weighted average unit price of the virtual currency;
- (ix) We assessed the appropriateness and adequacy of the related consolidated financial statement disclosures.

/s/ Enrome LLP

We have served as the Company's auditor since 2024

Singapore
April 30, 2026

SOUND GROUP INC.
CONSOLIDATED BALANCE SHEETS
(All amounts in thousands, except for share, ADS, per share and per ADS data)

	As of December 31, 2024	As of December 31, 2025	
	RMB	RMB	US\$ Note 2(e)
ASSETS			
Current assets:			
Cash and cash equivalents	441,858	655,058	93,672
Restricted cash	11,305	4,844	693
Accounts receivable, net	1,082	972	139
Prepayments and other current assets	35,106	49,683	7,105
Total current assets	489,351	710,557	101,609
Non-current assets:			
Property, equipment and leasehold improvement, net	16,491	12,070	1,726
Intangible assets, net	1,176	879	126
Right-of-use assets, net	12,692	23,572	3,371
Other non-current assets	1,730	2,536	363
Total non-current assets	32,089	39,057	5,586
TOTAL ASSETS	521,440	749,614	107,195
LIABILITIES (including amounts of the consolidated VIEs without recourse to the primary beneficiary of RMB248.1 million and RMB315.7 million as of December 31, 2024 and 2025, respectively)			
Current liabilities:			
Accounts payable	39,379	58,751	8,401
Deferred revenue	30,960	38,240	5,468
Salary and welfare payable	131,186	176,216	25,199
Taxes payable	7,267	9,203	1,316
Short-term loans	7,188	-	-
Lease liabilities due within one year	8,240	14,619	2,090
Accrued expenses and other current liabilities	78,491	68,327	9,772
Total current liabilities	302,711	365,356	52,246
Non-current liabilities:			
Lease liabilities	4,424	9,962	1,425
Total non-current liabilities	4,424	9,962	1,425
TOTAL LIABILITIES	307,135	375,318	53,671
COMMITMENTS AND CONTINGENCIES (NOTE 16)			
SHAREHOLDERS' EQUITY			
Class A Ordinary shares (US\$0.0001 par value, 1,268,785,000 shares authorized, 838,962,260 shares issued and 755,676,810 shares outstanding as of December 31, 2024; 1,268,785,000 shares authorized, 648,711,860 shares issued and 602,098,350 shares outstanding as of December 31, 2025).	557	422	60
Class B Ordinary shares (US\$0.0001 par value, 231,215,000 shares authorized, issued and outstanding as of December 31, 2024 and December 31, 2025, respectively).	168	168	24
Treasury stock	(10,182)	(10,156)	(1,452)
Additional paid in capital	2,703,147	2,678,350	382,999
Statutory reserves	2,605	14,392	2,058
Accumulated deficit	(2,490,809)	(2,314,891)	(331,025)
Accumulated other comprehensive income	29,803	32,777	4,687
TOTAL Sound Group Inc.'s SHAREHOLDERS' EQUITY	235,289	401,062	57,351
Non-controlling interests	(20,984)	(26,766)	(3,827)
TOTAL SHAREHOLDERS' EQUITY	214,305	374,296	53,524
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	521,440	749,614	107,195

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

SOUND GROUP INC.
CONSOLIDATED STATEMENTS OF
OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(All amounts in thousands, except for share, ADS, per share and per ADS data)

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$ Note 2(e)
Net revenues	2,071,772	2,031,806	3,102,754	443,688
Cost of revenues	(1,486,397)	(1,474,948)	(2,197,595)	(314,252)
Gross profit	585,375	556,858	905,159	129,436
Operating expenses:				
Selling and marketing expenses	(237,646)	(307,281)	(347,690)	(49,719)
General and administrative expenses	(193,907)	(106,587)	(100,254)	(14,336)
Research and development expenses	(301,490)	(232,693)	(240,213)	(34,350)
Total operating expenses	(733,043)	(646,561)	(688,157)	(98,405)
Operating (loss)/income	(147,668)	(89,703)	217,002	31,031
Other income/(loss):				
Interest expenses	(1,563)	(416)	(28)	(4)
Foreign exchange losses	(1,488)	(4,209)	(1,022)	(146)
Interest income and investment income	10,820	10,042	7,269	1,039
Government grants	9,395	2,148	2,295	328
Others, net	(3,577)	4,423	(2,086)	(298)
(Loss)/income before income taxes	(134,081)	(77,715)	223,430	31,950
Income tax expenses	(434)	(3,261)	(2,781)	(398)
Net (loss)/income	(134,515)	(80,976)	220,649	31,552
Net loss attributable to the non-controlling interests shareholders	7,864	11,396	5,833	834
Net (loss)/income attributable to the Sound Group Inc.'s ordinary shareholders	(126,651)	(69,580)	226,482	32,386
Net (loss)/income	(134,515)	(80,976)	220,649	31,552
Other comprehensive income:				
Foreign currency translation adjustments	3,277	11,754	3,025	433
Total other comprehensive income	3,277	11,754	3,025	433
Total comprehensive (loss)/income	(131,238)	(69,222)	223,674	31,985
Comprehensive loss attributable to the non-controlling interests shareholders	7,953	11,522	5,782	827
Comprehensive (loss)/income attributable to the Sound Group Inc.'s ordinary shareholders	(123,285)	(57,700)	229,456	32,812
Net (loss)/income attributable to the Sound Group Inc.'s ordinary shareholders per share				
Basic	(0.12)	(0.07)	0.24	0.03
Diluted	(0.12)	(0.07)	0.24	0.03
Weighted average number of ordinary shares				
Basic	1,078,969,851	1,026,725,421	940,749,734	940,749,734
Diluted	1,078,969,851	1,026,725,421	943,559,133	943,559,133
Net (loss)/income attributable to the Sound Group Inc.'s ordinary shareholders per ADSs				
Basic	(23.48)	(13.55)	48.15	6.89
Diluted	(23.48)	(13.55)	48.01	6.86
Weighted average number of ADSs				
Basic	5,394,849	5,133,627	4,703,749	4,703,749
Diluted	5,394,849	5,133,627	4,717,796	4,717,796

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

SOUND GROUP INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in thousands, except for share, ADS, per share and per ADS data)

	Ordinary shares		Treasury stock		Additional paid-in capital	Statutory reserves	Accumulated other comprehensive income/(loss)	Accumulated deficit	Non-controlling interests	Total shareholders' equity
	Shares	Amounts RMB	Shares	Amounts RMB						
Balance at January 1, 2023	1,050,177,260	711	(15,355,210)	(10)	2,657,433	529	14,557	(2,280,543)	(13)	392,664
Net loss	-	-	-	-	-	-	-	(126,651)	(7,864)	(134,515)
Issuance of treasury stock for share incentive plan	20,000,000	14	(20,000,000)	(14)	-	-	-	-	-	-
Repurchase of common shares	-	-	(9,165,200)	(951)	-	-	-	-	-	(951)
Capital injection in subsidiary by non-controlling interests shareholder	-	-	-	-	3,795	-	-	-	(1,496)	2,299
Share-based compensation	-	-	-	-	23,951	-	-	-	-	23,951
Vesting of restricted share units	-	-	17,137,010	11	3,271	-	-	-	-	3,282
Exercise of share options	-	-	7,506,980	6	-	-	-	-	-	6
Appropriation to statutory reserves	-	-	-	-	-	1,113	-	(1,113)	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	3,366	-	(89)	3,277
Balance at December 31, 2023	1,070,177,260	725	(19,876,420)	(958)	2,688,450	1,642	17,923	(2,408,307)	(9,462)	290,013
Balance at January 1, 2024	1,070,177,260	725	(19,876,420)	(958)	2,688,450	1,642	17,923	(2,408,307)	(9,462)	290,013
Net loss	-	-	-	-	-	-	-	(69,580)	(11,396)	(80,976)
Repurchase of common shares	-	-	(87,563,400)	(9,241)	-	-	-	-	-	(9,241)
Share-based compensation	-	-	-	-	13,143	-	-	-	-	13,143
Vesting of restricted share units	-	-	13,975,600	10	1,554	-	-	-	-	1,564
Exercise of share options	-	-	10,180,000	7	-	-	-	-	-	7
Appropriation to statutory reserves	-	-	-	-	-	1,813	-	(1,813)	-	-
Capital reduction in VIEs	-	-	-	-	-	(850)	11,959	(11,109)	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(79)	-	(126)	(205)
Balance at December 31, 2024	1,070,177,260	725	(83,284,220)	(10,182)	2,703,147	2,605	29,803	(2,490,809)	(20,984)	214,305

SOUND GROUP INC.
CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

	Ordinary shares		Treasury stock		Additional paid-in capital RMB	Statutory reserves RMB	Accumulated other comprehensive income/(loss) RMB	Accumulated deficit RMB	Non- controlling interests RMB	Total shareholders' equity RMB
	Shares	Amounts RMB	Shares	Amounts RMB						
Balance at January 1, 2025	1,070,177,260	725	(83,284,220)	(10,182)	2,703,147	2,605	29,803	(2,490,809)	(20,984)	214,305
Net income	-	-	-	-	-	-	-	226,482	(5,833)	220,649
Repurchase of common shares	-	-	(190,250,400)	(28,756)	-	-	-	-	-	(28,756)
Cancellation of repurchase common shares	(190,250,400)	(135)	190,250,400	28,756	(28,621)	-	-	-	-	-
Appropriation to statutory reserves	-	-	-	-	-	11,787	-	(11,787)	-	-
Dividends declared	-	-	-	-	-	-	-	(30,283)	-	(30,283)
Share-based compensation	-	-	-	-	3,824	-	-	-	-	3,824
Vesting of restricted share units	-	-	48,600	*	-	-	-	-	-	-
Exercise of options	-	-	36,623,380	26	-	-	-	-	-	26
Capital reduction in VIEs	-	-	-	-	-	-	8,494	(8,494)	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(5,520)	-	51	(5,469)
Balance at December 31, 2025	879,926,860	590	(46,612,240)	(10,156)	2,678,350	14,392	32,777	(2,314,891)	(26,766)	374,296

* The balance of ordinary shares equals to 1,000*0.0001, which is less than one.

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

SOUND GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All amounts in thousands, except for share, ADS, per share and per ADS data)

	For the year ended December 31,			
	2023	2024	2025	
	RMB	RMB	RMB	US\$ Note 2(e)
Cash flows from operating activities:				
Net (loss)/income	(134,515)	(80,976)	220,649	31,552
Adjustment to reconcile net (loss)/income to net cash generated from/(used in) operating activities:				
Depreciation of property, equipment and leasehold improvement	13,218	10,711	6,897	986
Amortization of intangible assets	983	661	759	109
Amortization of right-of-use assets	16,903	17,460	15,263	2,182
Foreign exchange losses	1,488	4,209	1,022	146
Investment income	(188)	(919)	996	142
Share-based compensation	26,755	14,150	4,518	646
Impairment of right-of-use assets	-	-	1,112	159
Allowance for expected credit loss	90,789	-	69	10
Losses/(gains) on disposal of property, equipment and leasehold improvement	(438)	90	381	54
Changes in operating assets and liabilities:				
Accounts receivable	1,637	475	41	6
Prepayments and other current assets	(94,572)	(432)	(16,204)	(2,317)
Accounts payable	(10,648)	(3,805)	19,372	2,770
Deferred revenue	(6,429)	1,712	7,280	1,041
Salary and welfare payable	499	(5,136)	44,337	6,340
Taxes payable	(549)	3,450	2,160	309
Lease liabilities	(18,057)	(17,785)	(15,339)	(2,193)
Accrued expenses and other current liabilities	31	29,666	(13,282)	(1,898)
Other non-current liabilities	(3,952)	-	-	-
Net cash (used in)/generated from operating activities	(117,045)	(26,469)	280,031	40,044
Cash flows from investing activities:				
Purchase of property, equipment and leasehold improvement	(5,961)	(11,072)	(3,448)	(493)
Purchase of intangible assets	(1,261)	(1,099)	(670)	(96)
Purchase of short-term investments	-	(125,000)	(247,000)	(35,321)
Maturities of short-term investments	111,022	125,000	247,000	35,321
Proceeds from disposal of property, equipment and leasehold improvement	1,853	197	317	45
Net cash generated from/(used in) investing activities	105,653	(11,974)	(3,801)	(544)
Cash flows from financing activities :				
Proceeds from exercise of vested share options	5	7	26	4
Proceeds from short-term loans	40,900	18,377	-	-
Repayments of short-term loans	(114,878)	(11,188)	(7,188)	(1,028)
Cash paid for repurchase of common shares	-	(10,190)	(28,756)	(4,112)
Capital contributions from the non-controlling interest shareholders	2,299	-	-	-
Cash paid for dividends	-	-	(30,283)	(4,330)
Net cash used in financing activities	(71,674)	(2,994)	(66,201)	(9,466)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	2,168	(3,017)	(3,290)	(471)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(80,898)	(44,454)	206,739	29,563
Cash, cash equivalents and restricted cash at beginning of the year	578,515	497,617	453,163	64,802
Cash, cash equivalents and restricted cash at end of the year	497,617	453,163	659,902	94,365
Reconciliation to amounts on consolidated balance sheets:				
Cash, cash equivalents	494,965	441,858	655,058	93,672
Restricted cash	2,652	11,305	4,844	693
Total Cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	497,617	453,163	659,902	94,365
Supplemental disclosures of cash flow information:				
Cash paid for interest expense	(2,051)	(416)	(28)	(4)
Cash paid for operating leases	(18,257)	(17,754)	(16,679)	(2,385)
Income taxes paid	(495)	(1,861)	(1,811)	(259)
Non-cash investing and financing activities:				
Right-of-use assets obtained in exchange for lease liabilities	6,127	16,277	27,255	3,898

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

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities

Sound Group Inc. (the “Company”, formerly known as Lizhi Inc.) was incorporated in the Cayman Islands in January 2019. The Company is a holding company and conducts its business mainly through its subsidiaries, and through variable interest entities (“VIEs”) and subsidiaries of the VIEs (collectively referred to as the “Group”). The Group is primarily engaged in the operation of providing value-added services, and subscription and others in the People’s Republic of China (the “PRC” or “China”). The Group commenced its value-added service business from the fourth quarter of 2016.

As of December 31, 2025, the Company’s consolidated subsidiaries, the VIEs and subsidiaries of the VIEs are as follows:

Major Subsidiaries	Place and year of incorporation/ acquisition	Percentage of direct or indirect economic ownership %	Principal activities
Lizhi Inc. (“Lizhi BVI”)	British Virgin Islands, Y2010	100	Investment holding
Lizhi Holding Limited (“Lizhi HK”)	Hong Kong, China Y2010	100	Investment holding
Beijing Hongyiyichuang Information Technology Co., Ltd. (“Hongyi Technology”)	Beijing, China Y2011	100	Technical support and consulting services, advertising service
Tiya Inc. (“Tiya Cayman”)	Cayman Islands, Y2019	100	Investment holding
VOCAL BEATS Inc. (“Vocal Beats”)	British Virgin Islands, Y2019	68.5	Investment holding
TIYA INC. (“Tiya BVI”)	British Virgin Islands, Y2019	100	Investment holding
Tiya Holding Limited (“Tiya HK”)	Hong Kong, China, Y2019	100	Investment holding
TIYA PTE. LTD.	Singapore, Y2019	100	Subscription and others
NASHOR PTE. LTD.	Singapore, Y2019	68.5	Subscription and others
TOPMUSE PTE. LTD.	Singapore, Y2022	68.5	Subscription and others
VOCALBEATS.AI PTE. LTD.	Singapore, Y2022	68.5	Subscription and others
VOPI PTE. LTD.	Singapore, Y2021	68.5	Subscription and others
Vocalbeats CO., LTD. (Formerly known as TIYA CO., LTD.)	Japan, Y2022	68.5	Subscription and others
SONICO SDN. BHD.	Malaysia, Y2022	68.5	Technical support and consulting services
Guangzhou Tiya Information Technology Co., Ltd. (“Guangzhou Tiya”)	Guangzhou, China, Y2019	100	Technical support and consulting services
Tiya Inc. (“Tiya USA”)	USA, Y2020	100	Subscription and others
Guangzhou QingYin Information Technology Co., Ltd. (“Guangzhou QingYin”)	Guangzhou, China, Y2022	100	Technical support and consulting services
Guangzhou Yuyin Information Technology Co., Ltd.	Guangzhou, China, Y2022	68.5	Technical support and consulting services
Guangzhou Yuechuang Information Technology Co., Ltd.	Guangzhou, China, Y2022	100	Technical support and consulting services
Major VIEs	Place and year of incorporation/ acquisition	Percentage of direct or indirect economic ownership %	Principal activities
Guangzhou Lizhi Network Technology Co., Ltd. (“Guangzhou Lizhi”)	Guangzhou, China Y2007	100	Value-added service and subscription business
Guangzhou Huanliao Network Technology Co., Ltd. (“Guangzhou Huanliao”)	Guangzhou, China Y2016	100	Value-added service and subscription business
Major subsidiaries of VIEs	Place and year of incorporation/ acquisition	Percentage of direct or indirect economic ownership %	Principal activities
Wuhan Lizhi Network Technology Co., Ltd.	Wuhan, China Y2017	100	Value-added service and subscription business
Wuhan Yuyinliaorao Network Technology Co., Ltd.	Wuhan, China Y2019	100	Value-added service and subscription business
Guangzhou Qianyue Media Co., Ltd.	Guangzhou, China Y2023	100	Value-added service and subscription business
Beijing Guoyin Network Technology Co., Ltd.	Beijing, China Y2020	100	Technical support and consulting services
Guangzhou Baihui Network Technology Co., Ltd.	Guangzhou, China Y2024	100	Technical support and consulting services
Guangdong Shengjie Intelligent Technology Co., Ltd.	Guangzhou, China Y2025	100	Technical support and consulting services

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

History of the Group

Initial Public Offering

In January 2020, the Company completed an IPO in which an aggregate of 82,000,000 Class A ordinary shares was offered and sold in the form of ADSs. On January 17, 2020, the ADSs have been listed on the Nasdaq Global Market under the symbol "LIZI". In January 2024, the Company changed the ticker symbol from "LIZI" to "SOGP" and changed corporate name from "LIZHI INC." to "Sound Group Inc."

Follow-on Public Offering

In April 2021, the Company completed a registered direct offering of 3,685,504 ADSs and warrants to purchase up to 2,764,128 ADSs, at an offering price of US\$8.14 per ADS and the corresponding warrant. The gross proceeds of this registered direct offering were US\$30.0 million before deducting placement agent fees and other offering expenses.

Contractual arrangements with VIEs

PRC laws and regulations place certain restrictions on foreign investment in value-added telecommunication service businesses. The Company conducts a significant portion of its operations in the PRC through Guangzhou Lizhi, Guangzhou Huanliao, and their subsidiaries. The Company relies on a series of contractual arrangements among its wholly-owned PRC subsidiaries, VIEs and their shareholders to conduct the business operations of the VIEs and the VIEs' subsidiaries.

As a result of these contractual arrangements, the Company's wholly-owned subsidiaries are entitled to substantially all of the economic benefits from the VIEs and the VIEs' subsidiaries and are obligated to absorb all of the VIEs and the VIEs' subsidiaries expected losses and therefore the Company has determined that it is the ultimate primary beneficiary of the VIEs and subsidiaries of the VIEs, and has consolidated the financial results of VIEs and subsidiaries of the VIEs in its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for accounting purposes.

Below is a summary of the currently effective contractual arrangements by and among the Company's wholly-owned subsidiaries Hongyi Technology, Guangzhou QingYin, the Company's VIEs Guangzhou Lizhi, Guangzhou Huanliao and their shareholders (also nominee shareholders).

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

Contractual arrangements with VIEs (Continued)

Guangzhou Lizhi

Equity Pledge Agreement

Pursuant to an equity pledge agreement entered into on January 17, 2023 by and between Hongyi Technology and then shareholders of Guangzhou Lizhi, such shareholders of Guangzhou Lizhi pledged all of their equity interests in Guangzhou Lizhi to Hongyi Technology, to guarantee the performance of Guangzhou Lizhi and, to the extent applicable, such shareholders of Guangzhou Lizhi, of their obligations under the contractual arrangements of the VIE. If Guangzhou Lizhi or such shareholders of Guangzhou Lizhi fail to perform their obligations under the contractual arrangement of the VIE, Hongyi Technology will be entitled to, among other things, right to sell the pledged shares of Guangzhou Lizhi via an auction. This equity pledge agreement will remain in effect so long as any of the exclusive technical consulting and management service agreement, the operation agreement or the exclusive equity transfer option agreement, as mentioned below, remains in effect or any guaranteed obligation of Guangzhou Lizhi, or, to the extent applicable, its shareholders, remains outstanding under the VIE contractual arrangements. The existing equity pledge agreement was initially entered into in March 2011 and was subsequently amended and restated on substantially similar terms in December 2014, June 2017, August 2017, June 2019, January 2023 and May 2023, respectively.

Exclusive Equity Transfer Option Agreement

Pursuant to an exclusive equity transfer option agreement entered into on January 17, 2023 by and between Hongyi Technology and then shareholders of Guangzhou Lizhi, such shareholders of Guangzhou Lizhi exclusively granted Hongyi Technology or any party appointed by Hongyi Technology an irrevocable option to purchase all or part of the shares in Guangzhou Lizhi held by then shareholders of Guangzhou Lizhi at a price no lower than the lowest price permitted by PRC law. Whether to exercise this option and the timing, methods and frequency of exercising such option are at the full discretion of Hongyi Technology. The exclusive equity transfer option agreement shall remain valid until all shares in Guangzhou Lizhi held by the shareholders of Guangzhou Lizhi, or all irrevocable options to purchase such shares, have been transferred to Hongyi Technology or its designated person. Hongyi Technology is entitled to terminate this exclusive equity transfer option agreement if a default occurs due to reasons not related to Hongyi Technology under this agreement. The existing exclusive equity transfer option agreement was initially entered into in March 2011 and was subsequently amended and restated on substantially similar terms in December 2014, June 2017, August 2017, June 2019 and January 2023, respectively.

Exclusive Technical Consulting and Service Agreement

Pursuant to an exclusive technical consulting and service agreement entered into on June 9, 2017 by and between Hongyi Technology and Guangzhou Lizhi, Guangzhou Lizhi agreed to appoint Hongyi Technology as its exclusive provider of technology services, including software development, internet maintenance, network security and other services in exchange for a service fee which are subject to the adjustment by the Company's relevant subsidiaries at its sole discretion, for a term of ten years starting from the date thereof. Hongyi Technology is entitled to terminate or extend the exclusive technical consulting and service agreement at its discretion. The existing exclusive technical consulting and service agreement was initially entered into in March 2011 and was subsequently superseded by an amended and restated exclusive technical consulting and service agreement on substantially similar terms in June 2017 and May 2023, respectively.

Operation Agreement

Pursuant to an operation agreement entered into on January 17, 2023 by and among Hongyi Technology, Guangzhou Lizhi and then shareholders of Guangzhou Lizhi, such shareholders of Guangzhou Lizhi agreed that, without written consent of Hongyi Technology or a party designated by it, Guangzhou Lizhi shall refrain from conducting any action that may materially or adversely affect its assets, business, personnel, obligations, rights or operation, for a term of ten years starting from the date thereof. Such actions include, among other things, incurrence of debt to a third party, change of directors or senior management, acquisition or disposal of assets or shares, amendment to its articles of association or business scope and other matters. Hongyi Technology is also entitled to appoint directors and senior management of Guangzhou Lizhi and instruct Guangzhou Lizhi on matters pertinent to its daily operation, financial management. Guangzhou Lizhi is obligated to fully effectuate the appointment or instructions made by Hongyi Technology in methods consistent with applicable laws and articles of Guangzhou Lizhi. Hongyi Technology is entitled to terminate or extend the operation agreement at its discretion. The existing operation agreement was initially entered into in March 2011 and was subsequently superseded by an amended and restated operation agreement on substantially similar terms in June 2017, June 2019 and January 2023, respectively.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

Contractual arrangements with VIEs (Continued)

Guangzhou Lizhi (Continued)

Power of Attorney

Pursuant to a series of power of attorney issued by shareholders of Guangzhou Lizhi on January 17, 2023, such shareholders of Guangzhou Lizhi irrevocably appointed Hongyi Technology as their attorney-in-fact to act on their behalf on all shareholder matters of Guangzhou Lizhi and exercise all rights as shareholders of Guangzhou Lizhi. This power of attorney shall remain valid until the abovementioned operation agreement is terminated or Guangzhou Lizhi is dissolved, whichever is earlier. The existing series of power of attorney was initially entered into in March 2011 and was subsequently superseded by a new series of powers of attorney on substantially similar terms in June 2017, June 2019 and January 2023, respectively.

The Equity Pledge Agreement, Exclusive Equity Transfer Option Agreement, Exclusive Technical Consulting and Service Agreement, Operation Agreement and Power of Attorney were amended to reflect the changes of shareholders' holding in the VIE at their respective dates. No other material terms or conditions of these agreements were changed or altered. The Company is still the ultimate primary beneficiary of Guangzhou Lizhi for accounting purpose, and the Group continues to consolidate Guangzhou Lizhi.

Guangzhou Huanliao

To streamline operations in China, the Company terminated the entire series of VIE contractual arrangements between and among Guangzhou Tiya, Guangzhou Huanliao and Mr. Ning Ding, the sole shareholder of Guangzhou Huanliao in July 2022. Concurrently with such termination, Guangzhou QingYin entered into a new series of contractual arrangements by and among Guangzhou QingYin, Guangzhou Huanliao and then shareholder of Guangzhou Huanliao in July 2022, which were amended and restated in May 2023.

Equity Pledge Agreement

Pursuant to an equity pledge agreement entered into on January 6, 2023 by and between Guangzhou QingYin and then shareholders of Guangzhou Huanliao, such shareholders of Guangzhou Huanliao pledged all of their equity interests in Guangzhou Huanliao to Guangzhou QingYin to guarantee the performance of Guangzhou Huanliao and, to the extent applicable, such shareholders of Guangzhou Huanliao, of their obligations under the contractual arrangement of the VIE. If Guangzhou Huanliao or such shareholders of Guangzhou Huanliao fail to perform their obligations under the contractual arrangement of the VIE, Guangzhou QingYin will be entitled to, among other things, a right to sell the pledged shares of Guangzhou Huanliao via an auction. This equity pledge agreement will remain in effect so long as any of the exclusive technical consulting and management service agreement, the operation agreement and the exclusive equity transfer option agreement, as mentioned below, remains in effect and any guaranteed obligation of Guangzhou Huanliao, or, to the extent applicable, its shareholders, remains outstanding under the VIE contractual arrangements. The existing equity pledge agreement was initially entered into in July 2022 and was subsequently amended and restated on substantially similar terms in January 2023 and May 2023, respectively.

Exclusive Equity Transfer Option Agreement

Pursuant to an exclusive equity transfer option agreement entered into on January 6, 2023 by and between Guangzhou Huanliao, Guangzhou QingYin and then shareholders of Guangzhou Huanliao, such shareholders of Guangzhou Huanliao exclusively granted Guangzhou QingYin or any party appointed by Guangzhou QingYin an irrevocable option to purchase all or part of the shares in Guangzhou Huanliao held by then shareholders of Guangzhou Huanliao at a price no lower than the lowest price permitted by PRC law. Whether to exercise this option and the timing, methods and frequency of exercising such option are at the full discretion of Guangzhou QingYin. The exclusive equity transfer option agreement shall remain valid until all shares in Guangzhou Huanliao held by then shareholders of Guangzhou Huanliao, or all irrevocable options to purchase such shares, have been transferred to Guangzhou QingYin or its designated person. Guangzhou QingYin is entitled to terminate this exclusive equity transfer option agreement if a default occurs due to reasons not related to Guangzhou QingYin under this agreement. The existing exclusive equity transfer option agreement was initially entered into in July 2022 and was subsequently amended and restated on substantially similar terms in January 2023.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

Contractual arrangements with VIEs (Continued)

Guangzhou Huanliao (Continued)

Exclusive Technical Consulting and Service Agreement

Pursuant to an exclusive technical consulting and service agreement entered into on July 19, 2022 by and between Guangzhou QingYin and Guangzhou Huanliao, Guangzhou Huanliao agreed to appoint Guangzhou QingYin as its exclusive provider of technology services, including software development, internet maintenance, network security and other services in exchange for a service fee which are subject to the adjustment by the Company's relevant subsidiaries at its sole discretion, for a term of ten years starting from the date thereof. Guangzhou QingYin is entitled to terminate or extend the exclusive technical consulting and service agreement at its discretion. The existing exclusive technical consulting and service agreement was initially entered into in July 2022 and was subsequently superseded by an amended and restated exclusive technical consulting and service agreement on substantially similar terms in May 2023.

Operation Agreement

Pursuant to an operation agreement entered into on January 6, 2023 by and among Guangzhou QingYin, Guangzhou Huanliao and then shareholders of Guangzhou Huanliao, such shareholders of Guangzhou Huanliao agreed that, without written consent of Guangzhou QingYin or a party designated by it, Guangzhou Huanliao shall refrain from conducting any action that may materially or adversely affect its assets, business, personnel, obligations, rights or operation, for a term of ten years starting from the date thereof. Such actions include, among other things, incurrence of debt to a third party, change of directors or senior management, acquisition or disposal of assets or shares, amendment to its articles of association or business scope and other matters. Guangzhou QingYin is also entitled to appoint directors and senior management of Guangzhou Huanliao and instruct Guangzhou Huanliao on matters relating to its daily operation, financial management. Guangzhou Huanliao is obligated to fully effectuate the appointment or instructions made by Guangzhou QingYin in methods consistent with applicable laws and articles of Guangzhou Huanliao. Guangzhou QingYin is entitled to terminate or extend the operation agreement at its discretion. The existing operation agreement was initially entered into in July 2022 and was subsequently amended and restated on substantially similar terms in January 2023.

Power of Attorney

Pursuant to a series of power of attorney issued by shareholders of Guangzhou Huanliao on January 6, 2023, such shareholders of Guangzhou Huanliao irrevocably appointed Guangzhou QingYin as their attorney-in-fact to act on their behalf on all shareholder matters of Guangzhou Huanliao and exercise all rights as shareholders of Guangzhou Huanliao. This power of attorney shall remain valid until the abovementioned operation agreement is terminated or Guangzhou QingYin is dissolved. The existing series of power of attorney was initially entered into in July 2022 and was subsequently superseded by a new series of powers of attorney on substantially similar terms in January 2023.

The Equity Pledge Agreement, Exclusive Equity Transfer Option Agreement, Exclusive Technical Consulting and Service Agreement, Operation Agreement and Power of Attorney were amended to reflect the changes of shareholders' holding in the VIE at their respective dates. No other material terms or conditions of these agreements were changed or altered. The Company is still the ultimate primary beneficiary of Guangzhou Huanliao for accounting purpose and the Group continues to consolidate Guangzhou Huanliao.

Risks in relation to the VIE structure

A significant part of the Company's business is conducted through the VIEs, of which the Company is the ultimate primary beneficiary. The Company has been advised by its PRC legal counsel, that its contractual arrangements with its consolidated VIEs as described in the Company's annual report are valid, binding and enforceable under the current laws and regulations of China. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations including those that govern the contractual arrangements, which could limit the Group's ability to enforce these contractual arrangements and if the nominee shareholders of the VIEs were to reduce their interests in the Group, their interest may diverge from that of the Group and that may potentially increase the risk that they would seek to act contrary to the contractual arrangements.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

Risks in relation to the VIE structure (Continued)

The enforceability, and therefore the benefits, of the contractual agreements between the Company and the VIEs depend on these individuals enforcing the contracts. There is a risk that the benefits of ownership between the Company and the VIEs may not be aligned in the future. Given the significance and importance of the VIEs, there would be a significant negative impact to the Company if these contracts were not enforced.

The Group's operations depend on the VIEs to honour their contractual agreements with the Group and the enforceability, and therefore the benefits depend on the authorization by the shareholders of the VIEs to exercise voting rights on all matters requiring shareholder approval in the VIEs. The Company believes that the agreements on authorization to exercise shareholder's voting power are legally enforceable and the possibility that it will no longer be able to be the ultimate primary beneficiary and consolidate the VIE as a result of the aforementioned risks and uncertainties is remote.

The Company's ability to be the ultimate primary beneficiary of the VIEs also depends on the Power of Attorney the shareholders have to vote on all matters requiring shareholder approval in the VIEs. As noted above, the Company believes these Power of Attorney are legally enforceable but may not be as effective as direct equity ownership.

In addition, if the Group's corporate structure or the contractual arrangements with the VIEs were found to be in violation of any existing or future PRC laws and regulations, the PRC regulatory authorities could, within their respective jurisdictions:

- revoke the business licenses and/or operating licenses of the Group;
- confiscate any of the Group's income that they deem to be obtained through illegal operations;
- discontinue or place restrictions or onerous conditions on the Group's operations;
- place restrictions on the Group's right to collect revenues;
- shut down the Group's servers or block the Group's apps/websites;
- require the Group to restructure the operations in such a way as to compel the Group to establish a new enterprise, re-apply for the necessary licenses or relocate the Group's businesses, staff and assets;
- impose additional conditions or requirements with which the Group may not be able to comply;
- taking other regulatory or enforcement actions against the Group that could be harmful to the Group's business; or
- impose fines on the Group.

The imposition of any of these restrictions or actions could result in a material adverse effect on the Group's ability to conduct its business. In such case, the Group may lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, which may result in deconsolidation of the VIEs in the Group's consolidated financial statements. In the opinion of the Company's management, the likelihood for the Group to lose such ability is remote based on current facts and circumstances. The Group believes that the contractual arrangements among each of the VIEs, their respective shareholders and relevant wholly foreign owned enterprises are in compliance with PRC law and are legally enforceable. The Group's operations depend on the VIEs to honor their contractual arrangements with the Group. These contractual arrangements are governed by PRC law and disputes arising out of these agreements are expected to be decided by arbitration in the PRC. Management believes that each of the contractual arrangements constitutes valid and legally binding obligations of each party to such contractual arrangements under PRC laws. However, the interpretation and implementation of the laws and regulations in the PRC and their application on the legality, binding effect and enforceability of contracts are subject to the discretion of competent PRC authorities, and therefore there is no assurance that relevant PRC authorities will take the same position as the Group herein in respect of the legality, binding effect and enforceability of each of the contractual arrangements. Meanwhile, since the PRC legal system continues to evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to the Group to enforce the contractual arrangements should the VIEs or the nominee shareholders of the VIEs fail to perform their obligations under those contractual arrangements.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

Risks in relation to the VIE structure (Continued)

The following combined financial information of the VIEs as of December 31, 2024 and 2025 and for the years ended December 31, 2023, 2024 and 2025 was included in the accompanying consolidated financial statements of the Group as follows:

	As of December 31, 2024	As of December 31, 2025
	RMB	RMB
ASSETS		
Current assets:		
Cash and cash equivalents	187,693	280,856
Restricted cash	1,733	2,151
Accounts receivable, net	482	432
Prepayments and other current assets	18,006	29,135
Amount due from the subsidiaries of the Group	67,916	209,221
Total current assets	275,830	521,795
Non-current assets:		
Property, equipment and leasehold improvement, net	6,996	6,335
Intangible assets, net	1,049	528
Right-of-use assets, net	623	9,074
Total non-current assets	8,668	15,937
TOTAL ASSETS	284,498	537,732
Current liabilities:		
Accounts payable	38,185	57,749
Deferred revenue	29,318	35,705
Salary and welfare payable	104,247	143,105
Taxes payable	5,002	6,097
Lease liabilities due within one year	235	4,661
Accrued expenses and other current liabilities	70,722	63,853
Amount due to the subsidiaries of the Group	463,809	388,068
Total current liabilities	711,518	699,238
Non-current liabilities:		
Lease liabilities	385	4,514
Total non-current liabilities	385	4,514
TOTAL LIABILITIES	711,903	703,752

The VIEs hold assets with no carrying value in the consolidated balance sheet that are important to the Company's ability to produce revenue (referred to as unrecognized revenue-producing assets). Unrecognized revenue-producing assets held by the VIEs mainly include the ICP License and the Internet Culture Operating License. Recognized revenue-producing assets held by the VIEs mainly include copyrights, trademarks and domain names.

	For the year ended		
	December 31, 2023	December 31, 2024	December 31, 2025
	RMB	RMB	RMB
Net revenues	2,069,491	2,026,664	3,063,542
Net (loss)/income	(23,554)	(56,416)	261,385

Included in the net (loss)/income of the VIEs are charges for technical development or technical service fees paid to other entities within the Group. The amount of such fees were RMB136.7 million, RMB173.9 million, and RMB111.5 million in 2023, 2024 and 2025, respectively.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

1. Organization and Principal Activities (Continued)

Risks in relation to the VIE structure (Continued)

	For the year ended		
	December 31, 2023	December 31, 2024	December 31, 2025
	RMB	RMB	RMB
Net cash (used in)/generated from operating activities	(25,170)	(15,009)	299,237
Net cash used in investing activities	(2,181)	(699)	(1,968)
Net cash (used in)/generated from financing activities	(106,058)	36,440	(210,567)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(133,409)	20,732	86,702

For the years ended December 31, 2023, 2024 and 2025, net cash (used in)/generated from financing activities in the VIEs consist of: i) net repayments to the Group companies, amounting to RMB39.3 million, nil and RMB210.6 million, respectively, ii) net borrowing from the Group companies' loans of nil, RMB36.4 million and nil, respectively, and iii) net (repayments to)/borrowing from bank loans of RMB(66.8) million, nil and nil, respectively.

In accordance with various contractual agreements, the Company has the power to direct the activities of the VIEs and their subsidiaries and can have assets transferred out of the VIEs. Therefore, the Company considers that there are no assets in the respective VIEs that can be used only to settle obligations of the respective VIEs, except for the registered capital of the VIEs amounted to approximately RMB51.0 million and RMB51.0 million as of December 31, 2024 and 2025, respectively, as well as certain non-distributable statutory reserves amounting to RMB0.6 million and RMB10.4 million as of December 31, 2024 and 2025, respectively. As the respective VIEs are incorporated as limited liability companies under the PRC Company Law, creditors do not have recourse to the general credit of the Company for the liabilities of the respective VIEs. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs. As the Group is conducting a significant portion of businesses in the PRC through the VIEs, the Group may provide additional financial support on a discretionary basis in the future, which could expose the Group to a loss.

There is no VIEs in the Group where the Company or any subsidiary has a variable interest but is not the primary beneficiary.

Liquidity

The Group incurred net (loss)/income of RMB(134.5) million, RMB(81.0) million and RMB220.6 million for the years ended December 31, 2023, 2024 and 2025, respectively. Net cash (used in)/generated from operating activities were RMB(117.0) million, RMB(26.5) million and RMB280.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. Accumulated deficit was RMB2,490.8 million and RMB2,314.9 million as of December 31, 2024 and 2025, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract investors' investments.

The Group's principal sources of liquidity have been cash generated from its operations and contributions from its shareholders, as well as short term borrowings. As of December 31, 2025, it had RMB655.1 million (US\$93.7 million) in cash and cash equivalents which are readily convertible to fixed amounts of cash and with original maturities from the date of purchase with terms of three months or less. The Group had a positive working capital (defined as total current assets deducted by total current liabilities) of RMB345.2 million (US\$49.4 million) as of December 31, 2025. Therefore, the Group believes its current cash and cash equivalents will be sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months from the date of the issuance of the consolidated financial statements. The Group's consolidated financial statements have been prepared based on the Company continuing as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies

a) Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and subsidiaries of the VIEs for which the Company is the ultimate primary beneficiary.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, has the power to appoint or remove the majority of the members of the board of directors, or to cast a majority of votes at the meeting of the board of directors, or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which the Company, or its subsidiary, through contractual arrangements, has the power to direct the activities that most significantly impact the entity’s economic performance, bears the risks of and enjoys the rewards normally associated with ownership of the entity, and therefore the Company or its subsidiary is the primary beneficiary of the entity for accounting purpose.

All transactions and balances among the Company, its subsidiaries, the VIEs and subsidiaries of the VIEs have been eliminated upon consolidation.

c) Use of estimates

The preparation of the Group’s consolidated financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the balance sheet date and reported revenues and expenses during the reported years in the consolidated financial statements and accompanying notes. Such accounting estimates include, but are not limited to, assessment of average user relationship period for the subscription business, assessment for the impairment of long-lived assets, fair value measurement of short-term investments, provision for income taxes and valuation allowance for deferred tax assets, expected credit loss of financial instruments measured at amortized cost, fair value of ordinary shares and preferred shares before the IPO, and valuation and recognition of share-based compensation expenses.

Management bases the estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

d) Functional currency and foreign currency translation

The Group uses Renminbi (“RMB”) as its reporting currency. The Company and its overseas subsidiaries use United States dollars (“US\$”) as their functional currency. The functional currency of the Group’s PRC entities is RMB.

In the consolidated financial statements, the financial information of the Company and other entities located outside of the PRC have been translated into RMB. Assets and liabilities are translated at the exchange rates on the balance sheet date, equity amounts are translated at historical exchange rates, and revenues, and expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustments and are shown as a component of other comprehensive income in the consolidated statements of operations and comprehensive (loss)/income.

Foreign currency transactions denominated in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the applicable exchange rates at the balance sheet dates. Net gains and losses resulting from foreign exchange transactions are included in foreign exchange gains/(losses) in the consolidated statements of operations and comprehensive (loss)/income.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

e) Convenience Translation

Translations of balances in the consolidated balance sheets, the consolidated statements of operations and comprehensive (loss)/income and the consolidated statements of cash flows from RMB into US\$ as of and for the year ended December 31, 2025 are solely for the convenience of the reader and were calculated at the rate of US\$1.00 = RMB6.9931, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2025. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into U.S. dollars at such rate or at any other rate.

f) Fair value measurements

Accounting guidance defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

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:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to asset or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Group's financial instruments include cash and cash equivalents, short-term investments, restricted cash, accounts receivable, other receivables (included in "Prepayments and other current assets"), accounts payable and other payables (included in "Accrued expenses and other current liabilities"), and short-term loans.

See Note 19 for additional information relating to fair value measurements as of December 31, 2025.

g) Cash and cash equivalents

Cash and cash equivalents mainly represent cash and cash at bank deposits placed with financial institutions. As of December 31, 2024 and 2025, the Group had cash held in accounts managed by online payment platforms such as Alipay and WeChat Pay in connection with the collection of service fees online for a total amount of RMB13.1 million and RMB24.8 million, respectively, which have been classified as cash and cash equivalents on the consolidated balance sheets.

As of December 31, 2024 and 2025, the Group had approximately RMB218.2 million and RMB472.0 million cash and cash equivalents held by its PRC subsidiaries and VIEs, representing 49.4% and 72.1% of total cash and cash equivalents of the Group, respectively. Cash transfers from the Company's PRC subsidiaries and VIEs to their parent companies outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may temporarily restrict the ability of the PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

The Group had no lien arrangements during the years ended December 31, 2023, 2024 and 2025.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

h) Restricted cash

Cash that is restricted as to withdrawal or for use or pledged as security is reported separately on the consolidated balance sheets. As of December 31, 2025, the Group's restricted cash balances amounted to RMB4.8 million, among which RMB2.2 million represents restricted deposits as security required by the court (due to pending litigations) and RMB2.6 million represents restricted deposits used as security for credit cards and short-term loans.

i) Short-term investments

In accordance with ASC 825, for investments in financial instruments with a variable interest rate indexed to the performance of underlying assets, the Company elected the fair value method at the date of initial recognition and carried these investments subsequently at fair value. Changes in the fair value are reflected in the consolidated statements of operations and comprehensive (loss)/income. To estimate fair value, the Company refers to the quoted rate of return provided by financial institutions at the end of each period and classifies the valuation techniques that use these inputs as level 2 of fair value measurement. Since these investments' maturity dates are within one year, they are classified as short-term investments.

j) Receivables, net

Accounts receivable and other receivables recorded in prepayments and other current assets (collectively defined as "Receivables") are stated at the historical carrying amount net of allowance for credit losses. On January 1, 2023, the Group adopted Accounting Standards Update No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326") using the modified retrospective transition method with the cumulative effect of initially applying the guidance recognized at the date of initial application. Prior to the adoption of ASC 326, an allowance for doubtful accounts of the Group's receivables reflects the Group's best estimate of the amounts that will not be collected. ASC 326 replaces the existing incurred loss impairment model with a forward-looking current expected credit loss ("CECL") methodology.

To estimate expected credit losses, the Group has developed a CECL model with consideration of the historical collection experience, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers.

k) Property, equipment and leasehold improvement, net

Property, equipment and leasehold improvement are stated at cost less accumulated depreciation and impairment, if any. Depreciation is computed using the straight-line method over the following estimated useful lives:

Electronic equipment	3 years
Furniture and office equipment	5 years
Leasehold improvement	shorter of expected lives of leasehold improvement and lease term

Expenditures for maintenance and repairs are expensed as incurred. The gain or loss on the disposal of property, equipment and leasehold improvement is the difference between the net sales proceeds and the carrying amount of the relevant assets and is recognized in the consolidated statements of operations and comprehensive (loss)/income.

l) Intangible assets, net

Intangible assets mainly consist of copyright, software, trademark and others. Identifiable intangible assets are carried at acquisition cost less accumulated amortization and impairment loss, if any. Finite-lived intangible assets are tested for impairment if impairment indicators arise. No impairment charge was recognized for any of the years presented. Amortization of finite-lived intangible assets is computed using the straight-line method over their estimated useful lives, which are as follows:

Licensed Copyright	1 to 3 years
Licensed Software	1 to 10 years
Trademark and others	3 to 5 years

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

m) Impairment of long-lived assets

Long-lived assets are evaluated 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 value of an asset may not be fully recoverable or that the useful life is shorter than the Group had originally estimated. When these events occur, the Group evaluates the impairment for the long-lived assets by comparing the carrying value of the assets to an estimate of future undiscounted cash flows expected to be generated from the use of the assets and their eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying value of the assets, the Group recognizes an impairment loss based on the excess of the carrying value of the assets over the fair value of the assets. No impairment charge was recognized for any of the years presented. For the years ended December 31, 2023, 2024 and 2025, impairment losses of long-lived assets were nil, nil and RMB1.1 million, respectively.

For the year ended December 31, 2025, the Group recognized impairment losses of RMB1.1 million on a right-of-use asset, which in connection with a non-cancelable operating lease for office facilities where the asset was subleased to third parties at rental rates below the contractual payments under the head leases. See Note 7 for additional information relating to the impairment loss.

n) Revenue recognition

The Group's revenues comprise value-added service revenue, subscription and other revenue. The Group recognizes revenue pursuant to ASC 606, Revenue from Contracts with Customers ("ASC 606"). In accordance with ASC 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the Group's customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. To achieve the core principle of this standard, the Group applied the following five steps: (i) identification of the contract, or contracts, with the customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of the revenue when, or as, a performance obligation is satisfied.

The following table summarizes the revenue by type of service provided by the Group:

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Value-added service	2,063,346	2,018,598	3,056,426
Subscription and others	8,426	13,208	46,328
Total	2,071,772	2,031,806	3,102,754

The Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to receive in exchange for those goods or services.

Value-added service revenue

The Group mainly offers audio entertainment services related to live streaming, real-time interaction and other paid contents to the customers.

The Group is principally engaged in operating its own live streaming platform, which enable hosts and users to interact with each other. Value-added service revenue is generated from sales of virtual items on the platform. The Group has a recharge system for users to purchase the Group's virtual currency which is then used to purchase virtual items for use. Users can recharge via bank transfer and various online third-party payment platforms, including AliPay, WeChat Pay and other payment platforms. Virtual currency is non-refundable and without expiry. The virtual currency is often consumed soon after it is purchased based on history of turnover of the virtual currency. Unconsumed virtual currency is recorded as deferred revenue. Virtual currencies used to purchase virtual items are recognized as revenue according to the prescribed revenue recognition policies of virtual items addressed below, unless otherwise stated.

Under the arrangements with the hosts, the Group shares a portion of the sales proceeds of virtual items ("revenue sharing fee") with hosts and their respective guilds.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

n) Revenue recognition (Continued)

The Group evaluates and determines that it is the principal and views users to be its customers. The Group reports value-added service revenues on a gross basis. Accordingly, the amounts billed to users are recorded as revenues and revenue sharing fee paid to hosts and their respective guilds are recorded as cost of revenues. Where the Group is the principal, it controls the virtual items before they are transferred to users. Its control is evidenced by the Group's sole ability to monetize the virtual items before they are transferred to users, and is further supported by the Group being primarily responsible to users and having a level of discretion in establishing pricing. The Group designs, creates and offers various virtual items for sale to users with pre-determined stand-alone selling price. Virtual items are categorized as either consumable or time-based items. Consumable items are consumed upon purchase while time-based items could be used for a fixed period of time such as a virtual special symbol that can be purchased and displayed on the users' profile over a fixed period of time. Users can purchase either consumable or time-based items and present these virtual items to hosts to show support for their favorite hosts or purchase time-based virtual items that enhance the users' personal profile.

Revenue related to each consumable item is a single performance obligation provided on a consumption basis and is recognized at the point in time when the virtual item is transferred directly to the users and consumed by them. Revenue related to time-based virtual items is recognized ratably over the fixed period on a straight-line basis. The Group does not have further performance obligations to users after the virtual items are consumed immediately or after the stated contract period for time-based items.

Subscription revenue

The Group provides users certain subscription services which entitle paying subscribers access to engage AI application tools or listen to specific podcast content on the platform. The subscription fee is time-based and is collected upfront from subscribers.

The receipt of subscription fee is initially recorded as deferred revenue. The Group satisfies its performance obligation by providing services throughout the estimated average user relationship period. Revenue is recognized ratably over the shorter period of the actual subscribed period or the estimated average user relationship period, which is approximately one to three months. The estimated average user relationship period is based on historical data collected from those paying users who have subscribed to the content on the platform. The Group estimates the average user relationship period for a subscribed content to be the date a user subscribes to it through the date the Group estimates the paying user will log-in the platform or listen to the content for the last time.

The determination of the estimated average user relationship period is based on the Group's best estimate that considers all known and relevant information, including actual historical patterns of usage, at the time of assessment. Any adjustments arising from changes in the estimated average user relationship period as a result of new information is accounted as a change in accounting estimate.

The podcast contents are licensed by broadcasters to the Group and the AI application tools are developed by the Group. The Group records revenue on a gross basis considering that the Group: (i) is the primary obligor in the arrangement; and (ii) has latitude in establishing the selling price.

Advertising revenue

The Group generates advertisement revenues from rendering various forms of advertisement services by way of advertisement display on its audio entertainment live streaming platform. Advertisements on the Group's platform are generally charged on the basis of duration whereby revenue is recognized ratably over the contract period of display. The Group provides sales incentives in the forms of discounts and rebates to advertisement agencies based on purchase volume. Revenue is recognized based on the price charged to the advertisers or agencies, net of sales incentives provided to the agencies. Sales incentives are recorded at the time of revenue recognition based on the contracted rebate rates and contract amount.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

n) Revenue recognition (Continued)

Practical Expedients

The Group has used the following practical expedients as allowed under generally accepted accounting principles in the U.S.:

(i) The transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied has not been disclosed, as substantially all of the Group's contracts have an original expected duration of one year or less.

(ii) Payment terms and conditions vary by contract type, although terms generally include a requirement of prepayment or payment within one year or less. Accordingly, the Group has determined that its contracts generally do not include a significant financing component.

(iii) Costs to obtain a contract with a customer are expensed as incurred when the amortization period is estimated to be one year or less.

o) Deferred revenue

Deferred revenue primarily consists of unconsumed virtual currency, unamortized revenue from time-based virtual items and unamortized subscription fees for podcast contents and AI application tools services in the Group's platform, where there is still an obligation to be provided by the Group, which will be recognized as revenue when all of the revenue recognition criteria are met. As of December 31, 2024 and 2025, the balance of deferred revenue was RMB31.0 million and 38.2 million, respectively. The change in the balance of deferred revenue depends on whether the relevant performance obligations of the revenue recognition were met as of years ended.

During the years ended December 31, 2023, 2024 and 2025, the Group recognized revenue amounted to RMB14.0 million, RMB12.9 million and RMB12.6 million, respectively, that was included in the corresponding opening deferred revenue balance of the year.

p) Cost of revenue

Amounts recorded as cost of revenue relate to direct expenses incurred in order to generate revenue. Such costs are recorded as incurred. Cost of revenues consists primarily of revenue sharing fees, salary and welfare benefits, payment handling costs, bandwidth costs and other costs. Revenue sharing fees represent the Company's payments to hosts or guilds based on a percentage of revenue from sales of virtual items and certain performance-based incentives.

q) Research and development expenses

Research and development expenses mainly consist of salary and welfare benefits and bandwidth costs incurred for the development and enhancement to the Company's websites and platform of applications.

r) Selling and marketing expenses

Selling and marketing expenses consist primarily of advertising and promotional expenses, salary and welfare benefits to the Group's sales and marketing personnel. Advertising and promotional expenses consist primarily of costs for the promotion of the Group's corporate image and mobile app, and the organization of offline events between hosts and users. The Group expenses all advertising and promotional expenses as incurred and classifies them under selling and marketing expenses. For the years ended December 31, 2023, 2024 and 2025, advertising and promotional expenses were RMB202.6 million, RMB278.7 million and RMB313.0 million, respectively.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

s) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange of a consideration. To assess whether a contract is or contains a lease, the Group assess whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all the economic benefits from the use of the asset and whether it has the right to control the use of the asset.

The Group elected to utilize the short-term lease recognition exemption and, for those leases that qualified, the Group did not recognize operating lease right-of-use ("ROU") assets or lease liabilities.

Right-of-use of assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. All right-of-use assets are reviewed for impairment annually. There was no impairment for right-of-use lease assets for the years ended December 31, 2024 and 2025

Lease liabilities

Lease liability is initially measured at the present value of the outstanding lease payments at the commencement date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee and any exercise price under a purchase option that the Group is reasonably certain to exercise. Lease liability is measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or if there is any change in the Group assessment of option purchases, contract extensions or termination options.

The Group's lease agreements contain both lease and non-lease components, which are accounted for separately based on their relative standalone price.

t) Government grants

Government grants represent cash subsidies received from the PRC government by the Group. Government grants are in connection with the Group's contributions to research and development activities, and additional deduction of Value Added Tax ("VAT") input in local business districts.

u) Share-based compensation

Share-based compensation expenses arise from share-based awards, including share options for the purchase of ordinary shares, restricted shares and restricted share units.

Share-based compensation expenses are recognized in the consolidated financial statements based on their grant date fair values. The fair value of share option is affected by the fair value of ordinary shares as well as assumptions regarding complex and subjective variables, including: (i) the expected volatility of the fair value of ordinary shares, (ii) actual and projected employee share option exercise behavior, (iii) risk-free interest rates and (iv) expected dividends. The fair value of restricted share, restricted share units and share options with little to no exercise price, are generally measured as the grant date price of the Company's ordinary shares.

The contractual term is the contract life of the options. The Group estimated the risk-free interest rate based on the market yield of US Government Bonds with maturities of ten years as of the valuation date, plus a country default risk spread between China and US. All share-based awards granted as of the years presented herein were granted with little to no exercise price and, accordingly, fair value was measured as the grant date price of the Company's ordinary shares.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

u) Share-based compensation (Continued)

Share-based compensation expenses are recorded net of actual forfeitures. For a cliff-vesting award or an award with graded-vesting features and service conditions only, the Company uses the straight-line method to recognize compensation cost over the total requisite service period for the entire award. For an award with performance and/or service condition that affects vesting, the performance and/or service condition is not considered in determining the award's fair value on the grant date. The Company recognizes compensation expenses for awards with performance conditions if, and when, the Company concludes that it is probable that the performance condition will be achieved, net of actual pre-vesting forfeitures over the requisite service period, using a graded-vesting method. The Company reassesses the probability of vesting at each reporting period for awards with performance conditions and adjusts compensation expense based on its probability assessment, unless the Company is not able to determine that it is probable that a performance condition will be satisfied until the event occurs.

v) Employee benefits

PRC Contribution Plan

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, VIEs and subsidiaries of the VIEs of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts of such employee benefit expenses were approximately RMB46.4 million, RMB36.3 million and RMB40.4 million for the years ended December 31, 2023, 2024 and 2025, respectively.

w) Taxation

Income taxes

Current income taxes are provided on the basis of income/(loss) for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any tax loss and tax credit carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or tax laws is recognized in the consolidated statements of operations in the period the change in tax rates or tax laws is enacted. A valuation allowance is provided to reduce the amount of deferred income tax assets if it is considered more likely than not that some portion or all of the deferred income tax assets will not be realized.

Uncertain tax positions

In order to assess uncertain tax positions, the Group applies a more likely than not threshold and a two-step approach for the tax position measurement and financial statement recognition. Under the two-step approach, the first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Group recognizes interest and penalties, if any, under accrued expenses and other current liabilities on its consolidated balance sheet and under other expenses in its consolidated statement of operations and comprehensive (loss)/income. The Group did not have any significant unrecognized uncertain tax positions as of and for the years ended December 31, 2023, 2024 and 2025.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

x) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence, such as a family member or relative, shareholder, or a related corporation.

y) Net loss/(income) per share

Basic net loss/(income) per share is computed using the weighted average number of ordinary shares outstanding during the period. Diluted net loss/(income) per share is computed using the weighted average number of ordinary shares and potential ordinary shares outstanding during the period under treasury stock method. Potential ordinary shares include options to purchase ordinary shares, restricted shares and restricted share units, unless they were anti-dilutive. The computation of diluted net loss/(income) per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect (i.e., an increase in earnings per share amounts or a decrease in loss per share amounts) on net loss/(income) per share.

The Group used the two-class method of computing basic earnings per share before the IPO in January 2020. The two-class method is used for computing earnings per share in the event the Group has net income available for distribution. Under the two-class method, net income is allocated between ordinary shares and participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. The Company's preferred shares were participating securities because they were entitled to receive dividends or distributions on an as converted basis. Upon the completion of the Company's IPO in January 2020, the preferred shares were automatically converted into ordinary shares. The two-class method of computing net loss/(income) per share ceased to apply on the conversion date.

z) Statutory reserves

In accordance with China's Company Laws, the Company's VIEs and subsidiaries of the VIEs in PRC must make appropriations from their after-tax profit, if any (as determined under the accounting principles generally acceptable in the People's Republic of China ("PRC GAAP")) to non-distributable reserve funds including (i) statutory surplus fund and (ii) discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the statutory surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiaries that are foreign investment enterprises in China have to make appropriations from their after-tax profit, if any (as determined under PRC GAAP) to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the general reserve fund has reached 50% of the registered capital of the subsidiary. Appropriations to the other two reserve funds are at the subsidiary's discretion.

The following table presents the Group's appropriations to statutory reserves for the years ended December 31, 2023, 2024 and 2025:

	<u>December 31, 2023</u>	<u>December 31, 2024</u>	<u>December 31, 2025</u>
Appropriations to statutory reserves	1,113	1,813	11,787

aa) Comprehensive loss/(income)

Comprehensive loss/(income) is defined to include all changes in (deficit)/equity of the Group during a period arising from transactions and other events and circumstances excluding transactions resulting from investments by shareholders and distributions to shareholders. Other comprehensive income/(loss), as presented on the consolidated balance sheets, consists of accumulated foreign currency translation adjustments.

bb) Dividends

Dividends are recognized when declared.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

cc) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Company's chief operating decision maker in order to allocate resources and assess performance of the segment.

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decisionmaker ("CODM"), in deciding how to allocate resources and in assessing performance. The Company's revenue segments have similar economic characteristics and they are managed as a single business unit. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's CODM has been identified as the chief executive officer (the "CEO"), who reviews consolidated results when making decisions about allocating resources and assessing performance of the Company. The Company has determined that there is only one reportable operating segment.

dd) Concentration and credit risk

Advertising and promotional service providers

The Group relied on advertising and promotional service providers and their affiliates to promote its platform and enhance brand awareness through a variety of online and offline marketing and brand promotion activities. The number of advertising and promotional service providers during the years ended December 31, 2023, 2024 and 2025 are as follows:

	For the year ended December 31,		
	2023	2024	2025
Total number of advertising and promotional service providers	121	282	428
Number of service providers that each accounted for 10% or more of the Group's advertising and promotional expenses	3	2	3
Total percentage of the Group's advertising and promotional expenses that were paid to these service providers who each accounted for 10% or more of the Group's advertising and promotional service expenses	59.4%	48.4%	52.3%

Credit risk

Financial instruments that potentially subject the Group to the concentration of credit risk consist of cash and cash equivalents, short-term investments, restricted cash, accounts receivable and other receivables (recorded in "Prepayments and other current assets"). As of December 31, 2024 and 2025, substantially all of the Group's cash and cash equivalents and restricted cash were held in financial institutions which management consider being of high credit quality. Under Chinese mainland law, it is generally required that a commercial bank in the Chinese mainland that holds third party cash deposits protect the depositors' rights over and interests in their deposited money. Banks in the Chinese mainland are subject to a series of risk control regulatory standards, and bank regulatory authorities in the Chinese mainland are empowered to take over the operation and management of any Chinese mainland bank that faces a material credit crisis. Accounts receivable is typically unsecured and is generally derived from revenue earned from advertising business.

The risk with respect to accounts receivable is mitigated by credit evaluations the Group performs on the payment platforms, customers and the ongoing monitoring process of outstanding balances.

The Group is exposed to certain default risk with respect to its receivables from a third-party financial institution, which is fully provided for as disclosed in Note 5. The Group has conducted credit evaluations of its receivables from the financial institution on an individual or collective basis. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

2. Significant Accounting Policies (Continued)

ee) Recently adopted and issued accounting pronouncements

Impact of recently adopted accounting pronouncements

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's adoption of this standard did not have a material impact on its consolidated financial statements.

Other accounting standards that the Group adopted beginning January 1, 2025 did not have a significant impact on the Group's consolidated financial statements.

Impact of recently issued accounting pronouncements not yet effective

In November 2024, the FASB issued ASU No. 2024-03, Income Statement (Topic 220)-Reporting Comprehensive Income- Expense Disaggregation Disclosures (Subtopic 220-40), which was subsequently amended with ASU No. 2025-01 to clarify the effective date. ASU No. 2024-03, requires publicly-traded business entities to disclose specified information about the components of certain costs and expenses that are currently disclosed in the financial statements. The guidance is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Group does not expect to adopt ASU No. 2024-03 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In July 2025, the FASB issued ASU No. 2025-05, Financial Instruments-Credit Losses (Topic 326). ASU No. 2025-05 provides all entities with a practical expedient and entities other than public business entities with an accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606. The guidance is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Group does not expect to adopt ASU No. 2025-05 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In July 2025, the FASB issued ASU No. 2025-06, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40). ASU No. 2025-06 modernizes the accounting for internal-use software to reflect current development practices, clarifies when to begin capitalizing costs, and enhances disclosure requirements. The guidance is effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Group does not expect to adopt ASU No. 2025-06 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In December 2025, the FASB issued ASU No. 2025-10, Government Grants (Topic 832). ASU No. 2025-10 establishes guidance on the recognition, measurement, and presentation of government grants received by business entities. The guidance is effective for annual reporting periods beginning after December 15, 2029, and interim reporting periods within those annual reporting periods. Early adoption is permitted. The Group does not expect to adopt ASU No. 2025-10 early and is currently evaluating the impact of adopting this standard on its consolidated financial statements.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

3. Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, cash at bank deposits placed with banks or other financial institutions. Cash and cash equivalents balance as of December 31, 2024 and 2025 primarily consist of the following currencies:

	<u>December 31, 2024</u>	<u>December 31, 2025</u>
	RMB	RMB
Cash and cash equivalents:		
RMB	252,924	513,241
US\$	169,049	74,983
SGD	10,110	51,414
Others	9,775	15,420
Total cash and cash equivalents	441,858	655,058

4. Accounts Receivable, Net

Accounts receivable, net is consisted of the following:

	<u>December 31, 2024</u>	<u>December 31, 2025</u>
	RMB	RMB
Accounts receivable, gross:	1,121	1,080
Less: allowance for expected credit loss of receivables	(39)	(108)
Accounts receivable, net	1,082	972

The following table sets out movements of the credit loss provision for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31,		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	RMB	RMB	RMB
Balance at beginning of the year	-	(39)	(39)
Allowance for expected credit loss of receivables	(39)	-	(69)
Balance at end of the year	(39)	(39)	(108)

5. Prepayments and Other Current Assets

The following is a summary of prepayments and other current assets:

	<u>December 31, 2024</u>	<u>December 31, 2025</u>
	RMB	RMB
Receivables from a third-party financial institution ⁽¹⁾	92,012	89,969
Prepayments to vendors	11,513	17,131
Deposits	7,917	5,816
Receivables from third-party online payment platform	3,143	12,392
Deductible VAT	7,117	8,844
Staff advances	878	622
Others	4,629	4,969
Sub-total	127,209	139,743
Less: allowance for expected credit loss of receivables	(92,103)	(90,060)
Total	35,106	49,683

(1) In March 2024, the Company encountered difficulties obtaining response from a third-party financial institution in which the Company had US\$12.8 million deposit remaining. The Company had recorded a full allowance of provision for credit loss amounting to US\$12.8 million (RMB90.0 million) for the Relevant Deposit for the year ended December 31, 2025. The Company's management has been continuously following up on the subsequent developments of the matter by seeking legal advice on the various possibilities. As of the report date, there has been no substantial progress in this matter.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

6. Property, Equipment and Leasehold Improvement, Net

The following is a summary of property, equipment and leasehold improvement, net:

	December 31, 2024	December 31, 2025
	RMB	RMB
Electronic equipment	87,232	83,898
Furniture and office equipment	2,851	2,226
Leasehold improvement	17,498	17,667
Total property, equipment and leasehold improvement	107,581	103,791
Less: accumulated depreciation	(91,090)	(91,721)
Property, equipment and leasehold improvement, net	16,491	12,070

Depreciation expenses were RMB13.2 million, RMB10.7 million and RMB6.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. No impairment charge was recognized for any of the years presented.

7. Leases

The Group's operating leases mainly related to offices facilities and staff quarters. As of December 31, 2024 and 2025, the Group recognized the following items related to operating leases on its consolidated balance sheet:

	December 31, 2024	December 31, 2025
	RMB	RMB
Operating lease ROU assets	12,692	23,572
Lease liabilities, non-current	(4,424)	(9,962)
Lease liabilities, current	(8,240)	(14,619)
Total lease liabilities	(12,664)	(24,581)
Weighted average remaining lease term	1.6 years	1.9 years
Weighted average discount rate	4.9%	4.90%

The components of lease cost for the years ended December 31, 2023, 2024 and 2025 were as follows:

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Operating lease cost	16,903	17,460	15,263
Short-term lease cost	12,895	9,706	7,790
Total lease cost	29,798	27,166	23,053

No lease cost was capitalized as part of the cost of another asset.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

7. Leases (continued)

A summary of maturity of lease liabilities under the Group's non-cancellable operating leases as of December 31, 2025 is as follows :

	RMB
2026	14,954
2027	10,409
2028	247
Total future lease payments	25,610
Impact of discounting remaining lease payments	(1,029)
Total lease liabilities	24,581

A summary of operating lease assets under the Group's non-cancellable operating leases as of December 31, 2025 is as follows :

	RMB
Carrying amount, beginning of year	12,692
Additions	27,255
Amortization	(15,263)
Sub-total	24,684
Less: impairment losses ⁽¹⁾	(1,112)
Carrying amount, end of year	23,572

- (1) In 2025, The Company entered into a sublease agreement at below-market rental rates for an office facility, which reduced the expected future cash flow attributable to the underlying right-of-use asset, which of carrying amount was lower than the fair value estimated by using discounted cash flow (inclusive of sublease income) based on market rental rates. The Company determined that the carrying amounts of the right-of-use asset were no longer fully recoverable. As a result, the Company recognized an impairment loss of RMB1.1 million within operating expenses in the consolidated statements of operations and comprehensive (loss)/income for the year ended December 31, 2025.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

8. Taxation

a) Income taxes

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company in the Cayman Islands to its shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in British Virgin Islands are exempted from income tax on their foreign-derived incomes in the BVI. There are no withholding taxes in the BVI.

Singapore

Under the Singapore tax laws, subsidiaries in Singapore are subject to a unified 17% tax rate, except for certain entities that are entitled to preferential tax treatments, and there are no withholding taxes in Singapore on remittance of dividends. For the years ended December 31, 2023, 2024 and 2025, the Company's Singapore entity recognized income tax (credit)/expense amounted to RMB(0.1) million, nil and RMB0.3 million, respectively, for the assessable profits base on the existing legislation, interpretation and practice of Singapore.

Hong Kong

Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a two-tiered regime under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. As an anti-avoidance measure, a group of "connected entities" can only nominate one entity within the Group to enjoy the reduced tax rate for a given year of assessment.

China

Under the Enterprise Income Tax Law of the PRC, the Company's Chinese subsidiaries, VIEs and subsidiaries of the VIEs are subject to an income tax of 25%, except for Guangzhou Lizhi, Guangzhou Huanliao and Guangzhou Tiya. Due to their current status of entitled High and New Technology Enterprise ("HNTE"), Guangzhou Lizhi and Guangzhou Huanliao enjoy a preferential tax rate of 15% for the year ended December 31, 2023, 2024 and 2025. Guangzhou Tiya was granted HNTE and enjoy a preferential tax rate of 15% from December 9, 2025 to December 9, 2028. This status is subject to annual evaluation and a requirement that Guangzhou Lizhi, Guangzhou Huanliao and Guangzhou Tiya reapply for HNTE status every three years.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

8. Taxation (Continued)

a) Income taxes (Continued)

China (Continued)

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engaged in research and development activities are entitled to claim an additional tax deduction amounting to 50% of the qualified research and development expenses incurred in determining its tax assessable profits for that year. The additional tax deducting amount of the qualified research and development expenses have been increased from 50% to 75%, effective from 2018 onwards, according to a new tax incentives policy promulgated by the State Tax Bureau of the PRC in September 2018 (“Super Deduction”). The additional tax deducting amount of the qualified research and development expenses have been increased from 75% to 100%, effective from 2023 onwards.

Qualified subsidiaries and VIEs of the Group claimed the Super Deduction in ascertaining the tax assessable profits for the periods reported.

The enterprise income tax (“EIT”) Law also imposes a withholding income tax of 10% on dividends distributed by a foreign-invested entity (“FIE”) to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by a FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate that may be lowered to 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). The State Administration of Taxation (“SAT”) further promulgated Circular 601 on October 27, 2009, which provides that tax treaty benefits will be denied to “conduit” or shell companies without business substance and that a beneficial ownership analysis will be used based on a “substance-over-form” principle to determine whether or not to grant the tax treaty benefits. Further, the SAT promulgated the Notice on Issues Related to the “Beneficial Owner” in Tax Treaties in February 2018, which requires the “beneficial owner” to have ownership and the right to dispose of the income or the rights and properties giving rise to the income and generally engage in substantive business activities and sets forth certain detailed factors in determining the “beneficial owner” status.

To the extent that subsidiaries, VIEs and subsidiaries of the VIEs of the Group have undistributed earnings, the Company will accrue appropriate expected withholding tax associated with repatriation of such undistributed earnings. For the year ended December 31, 2024 and 2025, the Group resolved to have one of its PRC subsidiaries, Guangzhou Tiya, declare and distribute cash dividends out of part of its retained earnings, amounting to RMB8.0 million and RMB18.0 million, respectively, to its immediate overseas parent company, Tiya HK. Accordingly, Guangzhou Tiya was required to pay and paid withholding taxes of RMB0.8 million and RMB1.8 million, respectively.

The Group has a plan to indefinitely reinvest its aggregate undistributed earnings and reserves and any future earnings in the PRC for use in the operation. Accordingly, no deferred tax liability on 10% withholding tax of aggregate undistributed earnings and reserves of the Company’s subsidiaries located in the PRC has been accrued that would be payable upon the distribution of those amounts to the Company as of December 31, 2024 and 2025.

Others

Subsidiaries incorporated in other countries are subject to the respective applicable corporate income tax rates of the countries where they are resident. For the years ended December 31, 2023, 2024 and 2025, the Company’s overseas others entity recognized income tax expense amounted to RMB0.4 million, RMB0.8 million and RMB0.8 million, respectively.

Income tax expense comprises:

	For the year ended December 31,		
	2023	2024	2025
Current income tax	434	2,475	731
Withholding tax expense	-	786	2,050
Total	434	3,261	2,781

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

8. Taxation (Continued)

a) Income taxes (Continued)

The following table presents a reconciliation of the differences between the statutory income tax rate and the Company's effective income tax rate for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31,		
	2023	2024	2025
	%	%	%
Statutory income tax rate of the PRC	25.0	25.0	25.0
Tax rate difference from preferential tax treatments and statutory rate in other jurisdictions	(29.6)	(23.8)	(6.3)
Effect of withholding taxes	-	(1.0)	1.0
Permanent differences ⁽¹⁾	25.4	43.0	(25.1)
Change in valuation allowances	(21.2)	(47.4)	6.8
Effective income tax rate	<u>(0.4)</u>	<u>(4.2)</u>	<u>1.4</u>

(1) The permanent differences mainly consist of additional super deduction for research and development expenditures, and certain non-deductible expenses.

As of December 31, 2025, certain entities of the Company had net operating tax loss carry forwards as follows:

	RMB
Loss expiring in 2026	11,736
Loss expiring in 2027	5,172
Loss expiring in 2028	14,994
Loss expiring in 2029	73,727
Loss expiring in 2030	421,019
Loss expiring in 2031	207,664
Loss expiring in 2032	14,027
Loss expiring in 2033	98,722
Loss expiring in 2034	129,473
Loss expiring in 2035	143,999
	<u>1,120,533</u>

b) Deferred tax assets and liabilities

The following table presents the tax impact of significant temporary differences that give rise to the deferred tax assets as of December 31, 2024 and 2025:

	December 31, 2024	December 31, 2025
	RMB	RMB
Deferred tax assets :		
Net operating tax loss carry forwards	136,584	137,997
Contingent Liability Provisions	-	35
Lease obligations	-	232
Advertising expenses in excess of deduction limit	8	8
Total deferred tax assets	<u>136,592</u>	<u>138,273</u>
Less: valuation allowances	(136,592)	(138,273)
Net deferred tax assets	<u>-</u>	<u>-</u>

The Group does not believe that sufficient positive evidence exists to conclude that the recoverability of deferred tax assets of certain entities of the Group is more likely than not to be realized. Consequently, the Group has provided full valuation allowances on the related deferred tax assets. The following table sets forth the movement of the aggregate valuation allowances for deferred tax assets for the years presented:

	Balance at January 1	Movement*	Balance at December 31
	RMB	RMB	RMB
2023	(108,601)	(8,262)	(116,863)
2024	(116,863)	(19,729)	(136,592)
2025	(136,592)	(1,681)	(138,273)

*The movement in valuation allowances were due to the changes of deferred tax assets recognized for net operating tax loss carry forwards, advertising expenses in excess of deduction limit and deferred revenue.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

9. Taxes Payable

The Group's subsidiaries, the VIEs and subsidiaries of the VIEs incorporated in China are subject to 6% VAT for services rendered.

The following is a summary of taxes payable as of December 31, 2024 and 2025:

	<u>December 31, 2024</u>	<u>December 31, 2025</u>
	RMB	RMB
VAT payables	2,516	5,035
Withholding individual income taxes for employees	2,318	2,494
Income tax payable	1,896	926
Others	537	748
Total	<u>7,267</u>	<u>9,203</u>

10. Short-term Loans

The Group obtained bank credit facilities totaling RMB103.1 million and unused credit line amount was RMB103.1 million as of December 31, 2025.

As of December 31, 2024 and 2025, the loans obtained by the Group under these bank facilities have maturity dates that are less than six months and the weighted average interest rate for the outstanding loans was 5.7% and nil, respectively.

As of December 31, 2024 and 2025, the balance of short-term loans was RMB7.2 million and nil, respectively.

11. Accrued Expenses and Other Current Liabilities

The following is a summary of accrued expenses and other current liabilities as of December 31, 2024 and 2025:

	<u>December 31, 2024</u>	<u>December 31, 2025</u>
	RMB	RMB
Advertising and promotional expenses	60,546	53,153
Professional service fees	3,952	2,881
Provision for litigation contingencies	8,896	8,407
Others	5,097	3,886
Total	<u>78,491</u>	<u>68,327</u>

12. Cost of Revenues

The following is a summary of cost of revenues for the years ended December 31, 2023, 2024 and 2025:

	<u>For the year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	RMB	RMB	RMB
Revenue sharing fees	1,368,498	1,377,765	2,069,133
Salary and welfare benefits	45,273	28,600	44,129
Payment handling costs	21,076	20,836	37,859
Bandwidth costs	39,424	36,218	33,053
Share-based compensation expense	3,845	1,788	556
Others	8,281	9,741	12,865
Total	<u>1,486,397</u>	<u>1,474,948</u>	<u>2,197,595</u>

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

13. Ordinary Shares and treasury shares

The authorized share capital of the Company was 1,500,000,000 shares comprising of (i) 1,268,785,000 Class A ordinary shares; (ii) 231,215,000 Class B ordinary shares. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion right. 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 sale, transfer, assignment or disposition of any Class B ordinary shares by a holder thereof to any person who is not a Founder or an affiliate of a Founder, or upon a change of beneficial ownership of any Class B ordinary shares as a result of which any person who is not a Founder or an affiliate of a Founder becomes a beneficial owner of such Class B ordinary shares, each of such Class B ordinary shares will be automatically and immediately converted into one Class A ordinary share.

Prior to the completion of the IPO in January 2020, the Company issued several series of convertible redeemable preferred shares (collectively referred to as the “Preferred Shares”), these preferred shares have certain preferred rights and the Group has classified them in the mezzanine equity of the consolidated balance sheets. In addition, the Group records accretions on the Preferred Shares to the redemption value from the issuance dates to the earliest redemption dates. The accretions are recorded against retained earnings, or in the absence of retained earnings, by charges against additional paid-in capital. Once additional paid-in capital has been exhausted, additional charges are recorded by increasing the accumulated deficit. All series of Preferred Shares were automatically converted into Class A ordinary shares upon the Company’s IPO in January 2020. Accordingly, no additional accretion has been recorded since conversion and no mezzanine equity recorded since completion of the IPO.

On December 13, 2023, the Company announced a share repurchase program under which the Company repurchase its Class A ordinary shares with an aggregate value of up to US\$3.0 million over the next 12-month period. The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. For the year ended December 31, 2024, the Company repurchased an aggregate of 483,643 ADSs, representing 96,728,600 Class A ordinary shares from the open market at an average price of US\$2.8882 per ADS or US\$0.0144 per Class A ordinary shares, for aggregate consideration of US\$1.4 million, and these repurchased shares remained outstanding as treasury stock and had not been cancelled as of December 31, 2025.

On June 9, 2025, the Company announced a share repurchase program under which the Company repurchase its Class A ordinary shares with an aggregate value of up to US\$4.0 million. The share repurchases may be made from time to time in the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means, depending on market conditions and in accordance with applicable rules and regulations. For the year ended December 31, 2025, the Company repurchased an aggregate of 951,252 ADSs, representing 190,250,400 Class A ordinary shares from the open market at an average price of US\$5.2348 per ADS or US\$0.0262 per Class A ordinary shares, for aggregate consideration of US\$4.0 million, and the repurchased shares had been cancelled on October 7, 2025.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

14. Share-based Compensation

(a) Description of stock incentive plan

2018 Incentive Plan

In September 2018 and April 2019, the Group permitted the grant of options and restricted shares of the Company to relevant directors, officers, other employees and consultants of the Company (the “2018 Incentive Plan”). Option awards are granted with an exercise price determined by the Board of Directors. Those options and restricted shares awards generally vest over a period of four years.

2019 Incentive Plan and related amendments

On May 31, 2019, the Board of Directors of the Company approved the 2019 Share Incentive Plan (the “2019 Incentive Plan”) whereby the incentive share options and restricted shares granted to employees and non-employees by Lizhi BVI in the 2018 Incentive Plan shall be replaced and superseded by the exact number of share options and restricted shares of the Company for each grantee (the “2019 Replacement”). There is no change of fair value, vesting schedule and other key terms of such award agreements entered into with each grantee and the classification of share-based awards immediately before and after the 2019 Replacement, thus, the 2019 Replacement was not considered a modification of share-based awards.

On March 18, 2020, the 2019 Incentive Plan was further amended and restated, to increase the maximum aggregate number of Class A ordinary shares authorized to issue from 40,000,000 to 100,000,000 (the “Amended and Restated 2019 Share Incentive Plan”). On September 17, 2021, the Second Amended and Restated 2019 Share Incentive Plan was adopted to replace the Amended and Restated 2019 Share Incentive Plan in its entirety, increasing the maximum aggregate number of Class A ordinary shares authorized to issue from 100,000,000 to 170,000,000.

Share-based compensation recognized for the years ended December 31, 2023, 2024 and 2025 is as follows:

	For the year ended December 31,			
	2023	2024	2025	2025
	RMB	RMB	RMB	US\$
Cost of revenues	3,845	1,788	556	80
Selling and marketing expenses	2,012	994	59	8
General and administrative expenses	9,458	5,702	474	68
Research and development expenses	11,440	5,666	3,429	490
Total	26,755	14,150	4,518	646

As of December 31, 2024 and 2025, total unrecognized compensation expenses related to unvested awards granted under the Second Amended and Restated 2019 Share Incentive Plan were RMB6.2 million and RMB1.4 million (US\$0.2 million), respectively. As of December 31, 2024 and 2025, the weighted average remaining vesting period for share-based awards were 1.62 and 0.88 years, respectively.

During the years ended December 31, 2023, 2024 and 2025, there was no cash settled equity instrument granted under share-based payment arrangements, and no compensation cost for share-based payment arrangements was capitalized as part of the cost of an asset.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (All amounts in thousands, except for share, ADS, per share and per ADS data)

14. Share-based Compensation (Continued)

(b) Stock options activities

The following table presents a summary of the Company's stock options activities for the years ended December 31, 2023, 2024 and 2025.

	<u>Employees</u> <u>(in</u> <u>thousands)</u>	<u>Consultants</u> <u>(in</u> <u>thousands)</u>	<u>Total</u> <u>(in</u> <u>thousands)</u>	<u>Weighted</u> <u>average</u> <u>exercise</u> <u>price</u> <u>US\$</u>	<u>Remaining</u> <u>contractual</u> <u>life</u>	<u>Aggregated</u> <u>intrinsic</u> <u>value</u> <u>RMB</u>
Outstanding at January 1, 2023	60,651	863	61,514	0.0001	2.98	13,452
Granted	15,593	-	15,593	0.0001	-	-
Exercised	(4,632)	-	(4,632)	0.0001	-	-
Forfeited	(326)	-	(326)	0.0001	-	-
Outstanding at December 31, 2023	71,286	863	72,149	0.0001	2.16	6,950
Exercisable as of December 31, 2023	36,811	863	37,674	0.0001	-	3,629
Outstanding at January 1, 2024	71,286	863	72,149	0.0001	2.16	6,950
Granted	-	-	-	-	-	-
Exercised	(8,729)	-	(8,729)	-	-	-
Forfeited	(4,497)	-	(4,497)	-	-	-
Outstanding at December 31, 2024	58,060	863	58,923	0.0001	1.63	5,676
Exercisable as of December 31, 2024	44,498	863	45,361	0.0001	-	4,369
Outstanding at January 1, 2025	58,060	863	58,923	0.0001	1.63	5,676
Granted	-	-	-	-	-	-
Exercised	(36,623)	-	(36,623)	-	-	-
Forfeited	(767)	-	(767)	-	-	-
Outstanding at December 31, 2025	20,670	863	21,533	0.0001	0.88	8,778
Exercisable as of December 31, 2025	15,447	863	16,310	0.0001	-	6,649

The granted options awards will be vested over a period from nil to four years. The weighted average grant date fair value of options granted for the years ended December 31, 2023, 2024 and 2025 were RMB0.19, nil and nil per option, respectively.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (All amounts in thousands, except for share, ADS, per share and per ADS data)

14. Share-based Compensation (Continued)

(c) Restricted shares activities

There are no remaining restricted shares outstanding as of December 31, 2024 and 2025.

(d) Restricted share units activities

(i) Pursuant to the Second Amended and Restated 2019 Share Incentive Plan, 6,687,500, nil and nil restricted share units were granted to certain employees in 2023, 2024 and 2025, respectively. These restricted share unit awards will be vested over a period of four years, with a summary of activities as follows:

	Number of Restricted Share Units Granted (in thousands)	Weighted-Average Grant Date Fair Value US\$
January 1, 2023	8,196	0.29
Awarded	6,688	0.03
Forfeited	(5,558)	0.24
Vested	(9,148)	0.10
Outstanding at December 31, 2023	178	0.16
January 1, 2024	178	0.16
Awarded	-	-
Forfeited	(82)	0.08
Vested	(48)	0.22
Outstanding at December 31, 2024	48	0.22
January 1, 2025	48	0.22
Awarded	-	-
Forfeited	-	-
Vested	(48)	0.22
Outstanding at December 31, 2025	-	-

(ii) Pursuant to the Second Amended and Restated 2019 Share Incentive Plan, the Company granted restricted share units with fixed monetary amount to certain employees from 2020 to 2023 with vesting period from one to four years. These share-settled obligations require that the variable number of shares to be issued based on an average market price for the shares over the last 30 days before each vesting day. As the monetary value of such obligation is predominantly based on a fixed monetary amount known at inception, the obligation is classified as a liability under generally accepted accounting principles in the U.S. Upon issuance of the shares to settle the obligation, equity is increased by the amount of the liability with no gain or loss recognized. For the years ended December 31, 2025, the remaining awarded units have been fully cancelled and converted to cash settlement, and the corresponding expenses have been one-off recognized in the income statement.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

15. Net (loss)/income per Share

The following table sets forth the computation of basic and diluted net (loss)/income per share of the Company for the years ended December 31, 2023, 2024 and 2025:

	For the year ended December 31,		
	2023	2024	2025
	RMB	RMB	RMB
Numerator:			
Net (loss)/income	(134,515)	(80,976)	220,649
Less: net loss attributable to the non-controlling interest shareholders	(7,864)	(11,396)	(5,833)
Net (loss)/income attributable to Sound Group Inc.'s ordinary shareholders	(126,651)	(69,580)	226,482
Denominator:			
Weighted average number of ordinary shares outstanding, basic	1,078,969,851	1,026,725,421	940,749,734
Add:			
Share options	-	-	2,809,399
Weighted average number of ordinary shares outstanding, diluted	1,078,969,851	1,026,725,421	943,559,133
Basic net (loss)/income per share attributable to Sound Group Inc.'s ordinary shareholders	(0.12)	(0.07)	0.24
Diluted net (loss)/income per share attributable to Sound Group Inc.'s ordinary shareholders	(0.12)	(0.07)	0.24

16. Commitments and Contingencies

Lease Commitments

The Group's lease commitments consist of short-term leases and fixed property management fees under the lease agreements for the Group's office, staff quarters and other operating related facilities.

As of December 31, 2025, the total amount of such commitments under operating leases was RMB2.4 million, of which RMB1.4 million is within one year and the remaining RMB1.0 million is more than one year and less than two years.

Litigation

As of December 31, 2025, the Group was involved in a pending litigation related to a claim, of which the Company was the stakeholder, concerning suspected fraud involving consumer funds received by the Company in September 2024, the Company received the court final judgment on April 10, 2025 that held to the Company is required to recover and refund the top-up amount of RMB8.4 million. The Group is currently appealing against the final judgement, as of the date of the consolidation financial statements, this outcome has not been finalized. The Company recognized the corresponding liabilities of RMB8.4 million as of December 31 2024 and 2025, respectively. See Note 11 for additional information of such liabilities recorded.

From time to time, the Group is involved in claims and legal proceedings that arise in the ordinary course of business. 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. See Note 11 for additional information of such liabilities recorded.

Based on currently available information, management does not believe that the ultimate outcome of any unresolved matters, individually and in the aggregate, is reasonably possible to have a material adverse effect on the Group's financial position, results of operations or cash flows beyond the amounts already reflected in the accompanying financial statements, however, litigation is subject to inherent uncertainties and the Group's view of these matters may change in the future.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

17. Dividends

On August 28, 2025, the board of directors approved a cash dividend of US\$0.005 per ordinary share, or US\$1.00 per ADSs, to holders of ordinary shares and ADSs of record as of the close of business on September 15, 2025. The payment was expected to be made on or around September 30, 2025. The cash dividend policies have expired and the Company paid dividends in a net aggregate amount of US\$4.3 million in accordance with the cash dividend policies. Dividends are recognized when declared, and there are no dividends payable as of December 31, 2025.

18. Segment Information

The Group's chief operating decision maker ("CODM"), is concluded by the Company to be Mr. Jinnan (Marco) Lai, Chairman of the Board of Directors and CEO. The CODM reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Information regarding the business segments provided to the Group's CODM is at the revenue level and the Group currently does not allocate operating costs or assets to its segments, as its CODM does not use such information to allocate resources or evaluate the performance of the operating segments. As the Group's long-lived assets are substantially located in the PRC and substantially the Group's revenues are derived from the PRC, no geographical information is presented.

19. Fair Value Measurement

Recurring

When available, the Group uses quoted market prices to determine the fair value of an asset or liability. If quoted market prices are not available, the Group will measure fair value using valuation techniques that use, when possible, current market-based or independently sourced market parameters, such as interest rate and currency rate. No balance of financial instruments measured or disclosed at fair value on a recurring basis as of December 31, 2024 and 2025.

The Company's other financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, other receivables (included in "Prepayments and other current assets"), accounts payable, other payables (included in "Accrued expenses and other current liabilities") and short-term loans are not measured at fair value in the consolidated balance sheets, as their carrying values approximated fair value due to their short-term maturity.

Non-recurring

As of December 31, 2024 and 2025, the group had no financial assets or financial liabilities that are measured at fair value at non-recurring basis. The Group's non-financial assets, such as intangible assets, property, equipment and leasehold improvement and other non-current assets, would be measured at fair value on non-recurring basis whenever events or changes in circumstances indicate that the carrying value may no longer be recoverable.

SOUND GROUP INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(All amounts in thousands, except for share, ADS, per share and per ADS data)

20. Restricted Net Assets

Relevant PRC laws and regulations permit PRC companies to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, the Company's PRC subsidiaries, VIEs and subsidiaries of the VIEs can only distribute dividends upon approval of the shareholders after they have met the PRC requirements for appropriation to the general reserve fund and the statutory surplus fund, respectively. The general reserve fund and the statutory surplus fund require that annual appropriations of 10% of net after-tax income should be set aside prior to payment of any dividends, until the reserve fund reached 50% of the registered capital of the respective company. As a result of these and other restrictions under PRC laws and regulations, the PRC subsidiaries, VIEs and subsidiaries of the VIEs are restricted in their ability to transfer a portion of their net assets to the Company either in the form of dividends, loans or advances, which restricted portion amounted to approximately RMB31.3 million and RMB96.7 million as of December 31, 2024 and 2025, respectively. Furthermore, cash transfers from the Company's PRC subsidiaries to their parent companies 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 PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations. Even though the Company currently does not require any such dividends, loans or advances from the PRC subsidiaries, VIEs and subsidiaries of the VIEs for working capital and other funding purposes, the Company may in the future require additional cash resources from its PRC subsidiaries, VIEs and subsidiaries of the VIEs due to changes in business conditions, to fund future acquisitions and developments, or merely declare and pay dividends to or distributions to the Company's shareholders, if any.

The Company performed a test on the restricted net assets of subsidiaries and VIEs in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 (e) (3), "General Notes to Financial Statements" and concluded that the restricted net assets did not exceed 25% of the consolidated net assets of the Company as of December 31, 2025 and the condensed financial information of the Company are not required to be presented.

21. Subsequent Events

On March 31, 2026, the Company's Board of Directors approved a special cash dividend of US\$0.006 per ordinary share, or US\$1.20 per ADS, to holders of ordinary shares and ADSs of record as of the close of business on April 22, 2026. The aggregate amount of the special cash dividend will amount to approximately US\$5.0 million, with payment expected to be made on or around May 12, 2026, for holders of ordinary shares and holders of ADSs.

Significant Subsidiaries**Place of Incorporation**

Lizhi Inc.	British Virgin Islands
Lizhi Holding Limited	Hong Kong, China
Tiya Inc.	Cayman Islands
TIYA INC.	British Virgin Islands
Tiya Holding Limited	Hong Kong, China
TIYA PTE. LTD.	Singapore
VOCAL BEATS Inc.	British Virgin Islands
NASHOR PTE. LTD.	Singapore
VOPI PTE.LTD.	Singapore
TOPMUSE PTE. LTD.	Singapore
VOCALBEATS.AI PTE. LTD.	Singapore
Vocalbeats CO., LTD.	Japan
SONICO SDN. BHD.	Malaysia
FUNAGE FZ-LLC	UAE
Guangzhou Yuechuang Information Technology Co., Ltd.	PRC
Guangzhou Tiya Information Technology Co., Ltd.	PRC
Guangzhou QingYin Information Technology Co., Ltd.	PRC
Beijing Hongyiyichuang Information Technology Co., Ltd.	PRC
Guangzhou Yuyin Information Technology Co., Ltd.	PRC

VIEs**Place of Incorporation**

Guangzhou Huanliao Network Technology Co., Ltd.	PRC
Guangzhou Lizhi Network Technology Co., Ltd.	PRC
Guangzhou Qianyue Media Co., Ltd.	PRC
Guangzhou Baihui Network Technology Co., Ltd.	PRC
Guangdong Shengjie Intelligent Technology Co., Ltd.	PRC
Wuhan Lizhi Network Technology Co., Ltd.	PRC
Wuhan Yuyinliaorao Network Technology Co., Ltd.	PRC
Beijing Guoyin Network Technology Co., Ltd.	PRC

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jinnan (Marco) Lai, certify that:

1. I have reviewed this annual report on Form 20-F of Sound Group Inc. (formerly known as LIZHI INC.) (the “Company”);
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 Rule 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:
 - (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 30, 2026

By: /s/ Jinnan (Marco) Lai

Name: Jinnan (Marco) Lai

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Chengfang Lu, certify that:

1. I have reviewed this annual report on Form 20-F of Sound Group Inc. (formerly known as LIZHI INC.) (the “Company”);

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 Rule 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:

(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 30, 2026

By: /s/ Chengfang Lu

Name: Chengfang Lu

Title: Acting 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 Sound Group Inc. (formerly known as LIZHI INC.) (the "Company") on Form 20-F for the year ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jinnan (Marco) Lai, 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 30, 2026

By: /s/ Jinnan (Marco) Lai
Name: Jinnan (Marco) Lai
Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Sound Group Inc. (formerly known as LIZHI INC.) (the "Company") on Form 20-F for the year ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chengfang Lu, Acting 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 30, 2026

By: /s/ Chengfang Lu
Name: Chengfang Lu
Title: Acting Chief Financial Officer

April 30, 2026

SOUND GROUP INC.
108 Robinson Road
#09-01 Singapore 068900

Dear Sirs or Madam

SOUND GROUP INC.

FORM 20-F

We consent to the reference to our firm under the heading “Item 10.E. Taxation — Cayman Islands Taxation” in the Annual Report on Form 20-F of Sound Group Inc. for the year ended December 31, 2025 (the “**Annual Report**”), which will be filed on or around the date hereof with the U.S. Securities and Exchange Commission (the “**Commission**”) under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). We further consent to the incorporation by reference of the summaries of our opinions that appear in the Annual Report into the Registration Statement (No. 333-239008) on Form S-8 and the Registration Statement (No. 333-259595) on Form S-8.

We also consent to the filing with the Commission of this consent letter 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 the Exchange Act, or the Rules and Regulations of the Commission thereunder.

Yours faithfully

/S/ WALKERS (HONG KONG)
WALKERS (HONG KONG)

方達律師事務所

FANGDA PARTNERS

北京 Beijing·广州 Guangzhou·香港 Hong Kong·南京 Nanjing·上海 Shanghai·深圳 Shenzhen·新加坡 Singapore

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Unit 01-06, 66F, Guangzhou CTF Finance Centre,
No.6 Zhujiang East Road, Zhujiang New Town,
Guangzhou 510623, PRC

April 30, 2026

To:

Sound Group Inc.

108 Robinson Road,
#09-01 Singapore 068900

Dear Sir/Madam,

We hereby consent to the references of the name of our firm under the headings “Item 3. Key Information — 3.D. Risk Factors,” “Item 4. Information on the Company — 4.C. Organizational Structure” and “Item 10. Additional Information — 10.E. Taxation” in Sound Group Inc.’s Annual Report on Form 20-F for the fiscal year ended December 31, 2025 (the “Annual Report”), which will be filed with the Securities and Exchange Commission (the “SEC”) on the date hereof, and further consent to the incorporation by reference of the summaries of our opinions that appear in the Annual Report into the Registration Statement (No. 333-239008) on Form S-8, the Registration Statement (No. 333-259595) on Form S-8. 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,

/s/ Fangda Partner

Fangda Partners



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333- 239008) and Form S-8 (No. 333-259595) of Sound Group Inc. of our report dated April 30, 2026 relating to the consolidated financial statements, which appears in this Form 20-F.

Singapore

April 30, 2026

/s/ Enrome LLP

Enrome LLP

143 Cecil Street # 19-03/04
GB Building , Singapore 069542

admin @ enrome-group . com
www. enrome-group. com

**SOUND GROUP INC.
COMPENSATION RECOUPMENT POLICY**

On November 21, 2023, the Board of Directors (the “**Board**”) of Sound Group Inc. (formerly known as LIZHI INC.) (the “**Company**”) adopted the LIZHI INC. Compensation Recoupment Policy. On February 27, 2026, the LIZHI INC. Compensation Recoupment Policy was further amended and restated as the Sound Group Inc. Compensation Recoupment Policy (the “**Policy**”). This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 5608 of the Nasdaq Listing Rules.

1. **Definitions.** For the purposes of this Policy, the following terms shall have the meanings set forth below.

(a) “**Committee**” means the compensation committee of the Board or any successor committee thereof.

(b) “**Covered Compensation**” means any Incentive-based Compensation “received” by a Covered Executive during the applicable Recoupment Period; *provided that*:

- (i) such Incentive-based Compensation was received by such Covered Executive (A) after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and
- (ii) such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is “**received**” by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

(c) “**Covered Executive**” means any (i) current or former Executive Officer and (ii) any other employee of the Company and its subsidiaries designated by the Committee as subject to this Policy from time to time.

(d) “**Effective Date**” refers to October 2, 2023, when Section 5608 of the Nasdaq Listing Rules becomes effective.

(e) “**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

(f) “**Executive Officer**” means, with respect to the Company, its Chief Executive Officer and any other executive officer named by the Company in its annual report on Form 20-F, from time to time. The determination as to an individual’s status as an Executive Officer shall be made by the Committee and such determination shall be final, conclusive and binding on such individual and all other interested persons.

(g) “**Financial Reporting Measure**” means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above). For the avoidance of doubt, any such measure does not need to be presented within the Company’s financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

(h) “**Financial Restatement**” means a restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

- (i) an error in previously issued financial statements that is material to the previously issued financial statements; or
- (ii) an error that would result in a material misstatement if (A) the error were corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company’s financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company’s internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure; or (6) adjustment to provisional amounts in connection with a prior business combination.

(i) “**Incentive-based Compensation**” means any compensation (including, for the avoidance of doubt, any cash or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, “Incentivebased Compensation” shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(j) “**Nasdaq**” means the NASDAQ Capital Markets, or any successor thereof.

(k) “**Recoupment Period**” means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine (9) to twelve (12) months would be deemed a completed fiscal year.

(l) “**Recoupment Trigger Date**” means the earlier of (i) the date that the Board (or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

2. Recoupment of Erroneously Awarded Compensation.

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the “**Awarded Compensation**”) exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the “**Adjusted Compensation**”), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pretax basis (such excess amount, the “**Erroneously Awarded Compensation**”).

(b) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is stock price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company’s reasonable estimate of the effect of the Financial Restatement on the Company’s stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

(d) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i), (ii), or (iii) are satisfied and (y) the Committee (or a majority of the independent directors serving on the Board) has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

- (i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; *provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to make such recovery and provide that documentation to the Nasdaq;
- (ii) recovery of the Erroneously Awarded Compensation would violate the Cayman Islands law to the extent such law was adopted prior to November 28, 2022 (*provided* that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d)), the Company shall have first obtained an opinion of home country counsel of the Cayman Islands, that is acceptable to the Nasdaq, that recovery would result in such a violation, and the Company must provide such opinion to the Nasdaq; or
- (iii) recovery of the Erroneously Awarded Compensation would likely cause an otherwise taxqualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**").

(e) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(f) The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; *provided* that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of the Code) shall be made in compliance with Section 409A of the Code.

3. **Administration.** This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

4. Amendment/Termination. Subject to Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules, this Policy may be amended or terminated by the Committee at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and Section 5608 of the Nasdaq Listing Rules (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

6. Other Compensation Clawback/Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions in any employment agreement, offer letter, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; *provided, however*, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

7. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

8. Miscellaneous.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective, including, without limitation, compensation received under the Company's currently effective share incentive plans, and any successor plan thereto.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of Cayman Islands, without giving effect to any choice of law or conflict of law rules or provisions (whether of the Cayman Islands or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the Cayman Islands.

(d) The Covered Executives, their beneficiaries, executors, administrators and any other legal representative and the Company shall initially attempt to resolve all claims, disputes or controversies arising under, out of or in connection with this Policy by conducting good faith negotiations amongst themselves.

(e) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.